

Past Olympic Star Deplores New Stress on Money and Drugs

All Oerter is a sports legend, the only Olympian to win four consecutive gold medals in the same event. The American athlete did it in 1956, 1960, 1964 and 1968 in the discus throw, an event that has survived from the ancient Games. Oerter, who is 52 and a retired computer executive, still competes. He spoke to Paul F. Horvitz of the International Herald Tribune.

A. Those athletes that are well prepared and know that there's absolutely nothing else they could have done to bring them to the point of perfection. They cannot wait to compete. And the athletes that have been doping it or have been doing too much show biz, they are somewhat concerned that they have

MONDAY Q&A

wasted some energy that should have been applied to a training regimen.

Q. When you finally step onto the field to compete, how important is mental attitude?

A. That's the most important thing. When you get within two or three weeks of the Games, there's very little really that you can do as far as strength, speed and technique. The thing that can change an athlete's performance is mental preparedness.

Q. What does competition mean?

A. It's a wonderful, wonderful environment. It's the greatest test of self. It's not competing against countries or people or anything else. It's a test of yourself, and how well you've prepared yourself. Com-

petition is something you relish. You just cannot wait to get into the stadium and strut your stuff. It has nothing to do with winning.

Q. You won so many times and received the medals and heard the national anthems. At that point, how strong is nationalistic feeling?

A. When you stand on the podium and you're presented with the medal, I think the first thing that grabs most athletes is a sense of a job well done. Then when they play your national anthem, that's when the sense of nationalistic fervor overcomes you. I got dizzy on a couple of stands.

Q. How have the Games changed over the years?

A. The Games have certainly changed, and I think in a negative way. Maybe it's just an old duffer here talking, but too many athletes are now using the Games as a means to an end. When I started competing in 1956, the Games were an end in themselves. Today, the peacocks that tend to be a part of athletes are using the exposure in the Games as a means to a different kind of end. That would be singing careers or promotion careers or

getting on cereal boxes. It's not all of the athletes. But certainly too many of the better athletes have that kind of a bent to their life.

I supported the U.S. boycott in 1980 [after the Soviet Union intervened in Afghanistan]. I thought it was an issue of conscience. Who, in good conscience, could go to the Soviet Union and compete? I had more than a few comments from some athletes who said, "Do you know what this boycott is going to cost me?" They're talking dollars. And I thought, boy, that's some Olympic spirit. Q. What has caused this mercenary attitude?

A. I think it's the availability of just plain dollars. Today, when you compete and you're a known athlete, your agent is not very far from that field.

Q. You attended four Olympics and were an alternate for the U.S. team in 1980. An injury ended your chance in 1984. If you could join the U.S. team in Seoul right now, would you go?

A. I would not be a part of these Games. I was training for 1988 up until last year. And I decided that it was just absurd, trying to get to this team because

of all of the difficulties that surround athletics today. And I'm talking about drugs. I just don't play that game. I don't want to play that game. And if you're going to be some kind of success, it's necessary to play that game.

Q. Simply because your competitors are playing it?

A. Oh, sure. You're talking about steroids, human growth hormone. There's a pharmacy list of things that are taken to enhance weight and strength and performance levels. And also drugs that mask the use of those drugs, should there be a test taken.

Q. How many of the strength-related athletes are taking drugs?

A. The great, great majority.

Q. Because of your Olympic accomplishments, you are in the Guinness Book of Records. Are you a hero or just an ordinary man?

A. Oh, no. I'm no hero. I've been able to accomplish something I'm very proud of — don't get me wrong. I'm not that modest. But my winning four gold medals hasn't changed the course of human events at all. I just had fun getting to the Games and competing well.

WORLD BRIEFS

Iceland Cabinet Resigns Over Prices

REYKJAVIK (AP) — The 15-month-old coalition government of Prime Minister Thorsteinn Pálsson has resigned after failing to agree on a program to deal with the country's economic problems. President Vigdís Finnbogadóttir was expected to decide whether to call new elections or to ask a leader of one of the three coalition parties to form a government. The government revalued the national currency, income, had demanded a 20-percent devaluation of the national currency, and the krona. This would have made the prices of exports cheaper and more competitive but would have increased the prices of imports. The coalition partners had been negotiating on a economic package that included a 6 percent devaluation and a new tax system, but failed to agree.

Panama Said to Arrest Former Envoy

PANAMA CITY (AP) — Dominador Kayser Bazan, a former Panamanian ambassador to the United States, has been arrested by the security agents of General Manuel Antonio Noriega. Mr. Bazan's brother has said.

The brother, Rey Bazan, said Saturday that men in civilian clothes went to the former envoy's home with an arrest warrant issued by the district attorney's office. Dominador Bazan was an associate of President Eric Arturo Delvalle, who was deposed by Noriega allies in the National Assembly in February. Mr. Delvalle was removed after he tried to displace General Noriega as commander of the 15,000-member National Defense Forces.

The military press office and the prosecutor's office said they knew nothing about Mr. Bazan's arrest. General Noriega was indicted in February by two federal grand juries in Florida that accused him of drug trafficking. He has denied the charges.

Palau Breaks Off Talks on U.S. Pact

WASHINGTON (WP) — Political leaders from the Pacific island chain of Palau have broken off negotiations aimed at reaching a pact on a permanent relationship with the United States, asserting that Reagan administration officials were "rigid and unreasonable."

In a letter sent last week to several congressional committees and administration aides, the Palauans said, "Our efforts have been vain." Congressional and administration sources said the negotiations foundered on financial issues.

Six previous plebiscites of the 14,000 Palauans on whether to accept a permanent "compact of free association" with the United States had failed to obtain the 75-percent majority required under the Palau Constitution. Under a compact, an independent Palau would permit U.S. military rights on the islands.

Manila Cautious on Soviet Base Offer

MANILA (AP) — Manila newspapers called Sunday for serious study of a Soviet offer to abandon a naval base in Vietnam if the United States leaves the Philippines. But President Corason C. Aquino said it was up to the superpowers to decide first on the proposal, telling reporters without elaboration that it was up to the United States to decide what to do about the offer by Mikhail S. Gorbachev, the Soviet leader. On Friday, he said that the Soviet Union would give up its use of the base at Clark Air Base in Vietnam if the United States would leave Clark Air Base and Subic Bay Naval Base.

Foreign Secretary Raul Manglapus, who is in the United States, has been meeting with U.S. officials over the terms for the last two years of the bases agreement, which expires in 1991. The talks are at an impasse.

For the Record

The exiled writer Alexander I. Solzhenitsyn should be reinstated as a Soviet citizen, the literary critic Natalya Ivanova wrote Sunday in *Moskovsky Komsomolets*, a youth newspaper. (UPI)

A drought in Yugoslavia has caused losses estimated at \$1 billion to the corn, beet and sunflower crops, the government announced. Heavy rain swept the country Saturday, ending three hot and dry months. (Reuters)

TRAVEL UPDATE

Soviet-China Rail Line to Be Finished

URUMCHI, China (Reuters) — The Soviet Union has agreed to lend China 130 million Swiss francs (\$82 million) to complete a rail line across their central Asian border on which work stopped nearly 30 years ago.

Trade officials said they believed the loan would be the biggest given to China by the Soviet Union since relations between the Communist giants collapsed in the early 1960s. The line, which is expected to start operating in 1991, will join China's northwest region of Xinjiang Uygur with Kazakhstan in the Soviet Union and provide a shorter route between Europe and the Far East.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Chile, St. Kitts and Nevis, Switzerland
 - WEDNESDAY: Belize, Israel, Malta, Netherlands Antilles
 - THURSDAY: Republic of Mali
 - FRIDAY: Japan, Saudi Arabia
 - SATURDAY: Bangladesh, Bolivia, Dominican Republic, Guinea-Bissau, New Caledonia, Spain, Trinidad and Tobago
 - SUNDAY: People's Republic of Mozambique, Republic of Rwanda, Sri Lanka
- Source: Morgan Guaranty Trust Co., Reuters.

Sickness Hits 160 at Lockheed Jet Plant

By Kenneth B. Noble

New York Times Service

BURBANK, California — At least 160 manufacturing workers at a Lockheed Corp. plant, many of whom are believed to be involved in building a top-secret fighter aircraft, have become ill, provoking questions that begin with the materials used in the plant.

In several lawsuits seeking financial compensation, the workers say they are suffering health problems ranging from nausea and minor rashes to disorientation, memory lapses and cancer.

Their suits contend that their illnesses were caused by their work, specifically, they say, by exposure to chemicals critical to the manufacture of the plant's highly classified research and development projects.

Five plaintiffs have died, according to their lawyers.

In legal documents, Lockheed denied the charges and said further that the plaintiffs knowingly assumed any risks that may have occurred at the plant. But company officials declined to discuss the charges.

"It's company policy not to discuss issues involved in litigation," said Rod Hanks, director of human resources at the Burbank plant.

He added that workers had made health complaints against the company from time to time but that never in the 50 years that the plant has existed had so many complaints been made at once.

In an effort to limit detection by radar, the fighter, which aerospace experts call the RF-19, or the Stealth fighter, is believed to use some designs and materials similar

to those believed used by the Stealth bomber being developed by the Northrop Corp.

Union officials who represent workers in Burbank said they knew of no similar complaints by workers building the bomber. Work-related illnesses like those that the lawsuits say are happening in Burbank are not new in the aerospace industry, but the situation here is different because of the intense secrecy surrounding the fighter.

Workers are wary of speculating publicly about what may have caused their illnesses because they are not allowed to discuss their work. To do so would be to risk dismissal and prosecution for violating laws against disclosing classified information.

Indeed, workers say they are not allowed to explain fully to their own doctors what they think may be causing them to become ill.

Moreover, scientists familiar with aerospace manufacturing say that disclosing how the substances cited by the lawsuits are used could give other countries a glimpse of the process used to build the secret aircraft.

The existence of the aircraft being built here, reported many times in newspapers and technical publications, has never been confirmed by the company or by the military.

Officials of the federal Occupational Safety and Health Administration and California workplace safety officials have even had difficulty inspecting the plant. The

company, citing national security, refused to allow inspectors without security clearances full access to the premises.

John Carpenter, the safety coordinator for District Lodge 727 of the International Association of Machinists and Aerospace Workers, which represents workers in the plant, said, "We are guinea pigs, and that's a fact of life here."

He says the dimensions of the problem the workers see are unknown and perhaps unknowable. But he says he fears that workers are being exposed to chemicals that one day could prove as deadly as asbestos, the cancer-causing construction material that once seemed harmless.

Two lawyers, Jeffrey McIntyre and Timothy Larson, are representing the largest group of workers suing the company, 160 workers whose cases are pending in Superior Court in Burbank. Other cases, which workers here said could number as many as 30, have been filed in other state courts.

Workers and supervisors said in interviews that virtually all the ailing workers work in one area of the plant, an area employing several hundred workers at any one time. Lockheed and the workers' lawyers refused to give more specific figures on the proportion of ill people to that area's work force. The plant employs more than 14,000 people.

Mr. McIntyre asserts that Lockheed "acted irresponsibly" by exposing its employees to chemicals that in combinations may pose health hazards.



Vice President George Bush gesturing to the press after a Sunday worship service at St. John's Episcopal Church in Washington.

ISSUES: Campaigns Lack Substance, U.S. Voters Say

(Continued from page 1)

to the incentives of the system and the wishes of the electorate.

The voters themselves apparently see "the issues" as of secondary importance to their choice. Asked in a recent New York Times-CBS News Poll whether "the issues" or "competence" were more important to how they voted for president, only 19 percent chose the issues. Sixty-seven percent chose competence.

Voters this year may be looking more at competence than at issues, precisely because Mr. Bush and Mr. Dukakis do not differ as fundamentally from each other as other nominees have in the past.

But campaign consultants argue that most of the time, especially in presidential elections, voters tend to pay more attention to the kind of person they are electing than to the candidates' stances on issues.

Campaign strategists themselves accordingly, "Voters are looking for a basic feel for who a candidate is and where he's going," said Darryl Sragow, a top California Democratic political operative. "So whatever issues you talk about tend to be metaphors for this."

Campaign officials for both

presidential candidates insist that they are addressing the issues. Lee Atwater, Mr. Bush's campaign manager, speaks of Mr. Bush's attacks on Mr. Dukakis over such questions as the Pledge of Allegiance and the death penalty as being part of an "issue-oriented campaign."

Leslie Dach, Mr. Dukakis's communications director, points to his candidate's detailed proposals over the last two weeks on defense and student loans as a sign that "Michael Dukakis has addressed substance, something our opponent hasn't done."

But Mr. Dach also argued that the point of these proposals lies not in their detail but in the general sense they convey to the public.

"You're not going to win because you have a slightly better plan to address day care or to address health care," he said. "You're going to win because the proposals demonstrate to voters that you're a leader who'll take charge on the issues they care about."

Mr. Bush and Mr. Dukakis have indeed quarreled, but it has been less an argument over the right course for the country than a ritual attack on motives.

On defense, Mr. Bush argued last week that Mr. Dukakis did not really believe what he was saying and was trying to mask his true, dovish beliefs on defense with tough rhetoric.

That is much the way Mr. Dukakis responded to Mr. Bush's speeches on the environment. He said the vice president had had "an election year conversion" and was trying to hide the Reagan administration's anti-environmental record.

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The "lock" they appear to be up against is a bit of a misnomer. It does not guarantee Republican success; it merely holds that, based on a two-decade track record, a Republican candidate starts out with roughly 20 electoral votes.

"To refer to these campaigns as 'races' misses the point," said a political analyst, Horace W. Busby, originator of the lock theory. "In reality, one party starts off right next to the finish line."

These are some of the elements of the lock:

- Since 1968, 23 states with 202 electoral votes have gone Republican in all five presidential elections. Only the District of Columbia has voted Democratic all five times.
- Thirty-six states with 356 electoral votes have gone Republican at least four of the five times. Only Minnesota and the District have gone Democratic at least four of the five.
- Since 1968, Democratic presidential candidates have carried only two of the 18 continental states west of the Mississippi River — Texas (in 1968 and 1976) and Washington (in 1968). In other words, of the 90 state contests in the West in presidential races over this period, the Republican Party won 87.
- Dukakis strategists say that if they tried to concoct a Northeast-Midwest-Pacific Coast model, the only thing they would lack themselves into would be a self-fulfilling prophecy of defeat. Instead, their general election instincts so far have been to "play offense rather than defense."
- By far the boldest Dukakis thrust into Republican "lock" territory came when the candidate reached to Texas to select Senator Lloyd Bentsen as his running mate.
- The choice was made while Mr. Dukakis was far ahead in national polls, and for a time it shook Republicans. Now, with historical patterns starting to assert themselves, Republicans are inclined to think he went on a fool's errand.
- "The more resources they pour into the South," said Mr. Atwater, "the better we like it."
- Polls taken in Texas this month show Mr. Bush leading by 4 to 7 points, having trailed by roughly that margin in midsummer. He has larger margins throughout the Deep South, and his campaign

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AMERICAN TOPICS

Failing 5-Year-Olds: The Stigma Lingers

Flunking kindergarten was little more than a humorous expression a generation ago when 5-year-olds mostly sang songs, played at blocks and fingerpainting in the classroom. Today, with more and more kindergartners expected to learn reading and writing, 10 to 60 percent, depending on the school district, are held back for a second year instead of going into first grade.

This trend is deplored by two professors of education, Lorie A. Shepard of the University of Colorado and Mary Lee Smith of Arizona State University, in a report published by the American Federation of Teachers.

The policy is well intentioned and intended to prevent future failures in school, the professors say. But they say their research has found that keeping children back in kindergarten does nothing to boost their subsequent academic achievement. Regardless of how it is disguised, they reported, keeping a child back "creates a social stigma," not only for children but for parents, who find their children's repeating hard to explain. The professors say the policy encourages schools to put even more academic pressure on first-graders.

Short Takes

An plaque implanted without authorization by Indians at the Custer Battlefield National Monument near Billings, Montana, to honor the "Indian patriots" who defeated General George Armstrong Custer at the Battle of the Little Bighorn in 1876, has been removed on orders of the director of the National Park Service. The director, William Penn Mott Jr., said he would appoint a committee of American Indian leaders and other citizens to help design an official memorial to the Indians killed in the battle.



QUITE A HAUL — Construction workers moving the mechanical shark used in the movie "Jaws IV." The shark was on exhibit at the Museum of Science and Industry in Chicago.

First-time offenders usually do not end up behind bars in New York City's overtaxed criminal-justice system, The New York Times reports. There are not enough prosecutors, judges or courtrooms, cells or probation officers. The accused get "a free bite," the paper reports. However, they do not get off scot-free. They bear the stigma of convicted felons and are excluded from working at some jobs. Although scholars, judges, prosecutors and other experts do not condone the practice of not incarcerating first-time felons, they do acknowledge its expediency. Last year, 33,593 felony sentences were pronounced, more than a quarter including neither jail nor prison terms.

The founder of the Church of Satan, Anton Szandor LaVey, and his companion for 22 years, Diane Hegarty, are splitting up in San Francisco. This ends what they had called a match, "conceived in Hell." Community property to be divided up includes a coffee table made of a tombstone, seven ritual daggers, a bed of nails, a wooden coffin and a shrunken head.

Notes About People

The mayor of San Antonio, Texas, Henry G. Cisneros is quitting after four two-year terms. Mr. Cisneros, 41, was widely considered as a potential Democratic vice-presidential candidate in 1984. The mayor's salary is \$5,000 a year, which Mr. Cisneros supplemented with money made from newspaper columns and speaking engagements. But he said that with a son who has a congenital heart defect and stomach abnormalities, and two daughters approaching college age, he needed a better-paying job.

President Ronald Reagan, relating that he had sent Vice President George Bush to watch the first destruction of U.S. missiles under the Intermediate-Range Nuclear Forces Treaty, said, "I told him not to get too close."

Arthur Higbee

Candidates Argue Defense but Avert Issue of Cuts

By Michael R. Gordon

WASHINGTON — While Vice President George Bush and Governor Michael S. Dukakis continually argue over which weapon systems to add to the U.S. arsenal, there has been little direct debate over the cuts in military programs that would be required under their budgetary promises.

Mr. Dukakis usually talks about making some cuts; Mr. Bush hardly ever does.

According to advisers in both camps, neither man plans on increasing the overall level of military spending beyond the point needed to make up for inflation.

And each has promised to support some new weapons.

Thus, both face the prospect of cutting well over \$150 billion from the Reagan administration's five-year military spending plan, according to estimates expressed in the present purchasing power of the dollar.

The likelihood that both candidates would be forced to make cuts in military programs is striking because so much of the campaign debate and commentary has focused on Mr. Bush's assertion that he is a more steadfast advocate of a strong military than his rival, and on Mr. Dukakis' scrambling attempts to blunt the issue.

A new study prepared at the request of a Republican member of the Senate Budget Committee by the nonpartisan Congressional Budget Office makes it clear that the problem of apportioning campaign oratory with budget pressures will be particularly difficult for Mr. Bush.

The study suggests that his strong advocacy of new strategic nuclear weapons, an ambitious program of anti-missile research and a large navy would force him to make significant cutbacks in conventional military programs, a conclusion supported by other independent analysts.

"If Mr. Bush carries out the program he has outlined, the cuts will have to come out of our conventional land forces and conventional air forces," said Edward L. Meyer, a retired general who is a former army chief of staff.

Mr. Meyer said Mr. Bush's campaign proposals suggested "a lack of understanding of NATO's dilemma" and had not received sufficient scrutiny. "He is getting a free ride," Mr. Meyer said.

Mr. Dukakis' military program presents a similar problem. To make good on his program to beef up NATO's conventional defenses and develop some new types of strategic weapons, Mr. Dukakis

would also have to make some difficult tradeoffs. Unlike Mr. Bush, Mr. Dukakis has identified some of the cuts that he would make, such as forgoing the construction of new aircraft carrier battle groups, rejecting the proposal for a costly Midgetman missile, and cutting the budget for research on a system to defend against missiles.

But the cuts do not appear to go far enough.

The problem facing both candidates stems from the ambitious plans that the Reagan administration has set in motion and recognition by both sides that the budget deficit has effectively ruled out significant increases in military spending.

Mr. Bush's basic position, says Dennis Ross, a senior aide on national security issues to Mr. Bush, is that the most he will be able to do is keep pace with inflation.

And Mr. Dukakis talks about the need for "stable" budgets, which leaves unclear whether he would support spending that would keep pace with inflation or would be slightly less than that.

But if military spending is increased only enough to keep even with inflation, the next president will face two unattractive options, according to the unpublished analysis by the Congressional Budget Office, which was obtained by The New York Times.

The options: fewer forces or can-

celing weapons or both, the report states. But what cutbacks are to be made? Mr. Bush has generally sidestepped the whole issue, while assailing the proposals that Mr. Dukakis has made.

So far, the only possible cutback alluded to by the Bush campaign has been that Mr. Bush may have to decide between buying additional MX missiles or buying the expensive Midgetman missile.

When asked how Mr. Bush will come up with the funds to pay for a panoply of new strategic nuclear weapons, anti-missile research and a Navy of 15 aircraft carrier battle groups without sacrificing other military programs, Mr. Ross said considerable savings would be made by reforming the procurement process.

But some independent experts say that such changes, if put into effect, would not save nearly enough money to avoid making some difficult cutbacks.

In Pinched U.S. Suburb, The Young Go for Bush

New York Times Service

ST. CHARLES, Missouri — Dawn Bethmann sees the cost of day-care for her two children as the obstacle to returning to college for her nursing degree.

Lisa Stinson, a neighbor, worries about affording the down payment on a house and about how her husband's job does not provide health insurance.

Their concerns should be music to the ears of Michael S. Dukakis, the Democratic presidential candidate. The campaign of the Massachusetts governor is largely pitched to the squeezed middle class in neighborhoods like the one where Mrs. Bethmann and Mrs. Stinson live in this city of 40,000 people, 15 miles (24 kilometers) northwest of St. Louis.

But the two are part of the Democrats' problem, not their solution. They are both unequivocally for Vice President George Bush, and for the same reason. "I am working class," Mrs. Bethmann, 28, said, "but I like the way the economy goes when the Republicans are in."

"In my lifetime, since I was old enough to understand, the economy hasn't done well when the Democrats are in. We've had a good living for the last eight years," Mrs. Stinson, 21, said.

Jimmy Carter "is the only other president I've known," she added. "I think about how bad everything was when Carter was in. Reagan

seemed to do so much good for the economy."

Mr. Dukakis cannot afford to lose too many voters like Mrs. Bethmann and Mrs. Stinson. Most of the poll takers expect this year's election to be decided by voters like them, in suburban neighborhoods like the one where they live.

In their neighborhood, a nest of brick duplexes tucked away behind a strip of shopping centers and fast-food restaurants, people work hard for their \$20,000 to \$30,000 a year. Among young couples, both partners usually work.

Of course, not everyone in the neighborhood, even some of those who voted for Ronald Reagan in 1984, support Mr. Bush. Sherman Jones, a painter in his late 30's, is firmly for Mr. Dukakis.

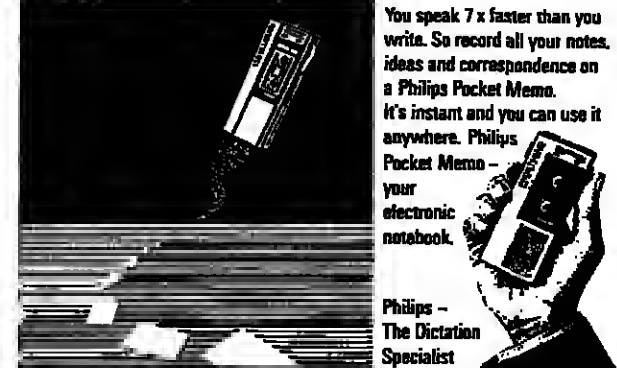
"I voted for Reagan the last time," Mr. Jones said, "and I don't think he's helping out the union workers."

But the central issue for Mr. Jones, whose wife works in an automobile plant, is Japan's trade practices. "Our stuff goes over there and it's triple taxed," he said. "It's not fair."

Mr. Jones, who says he does not even like the way Japanese cars look, was admiring a new Chevrolet in his driveway with a friend, Ed Allen, a machinist.

Mr. Allen said he did not like either Mr. Bush or Mr. Dukakis and, when asked to choose, replied, "You got a coin?"

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With Gulf Tension Easing, U.S. Navy May End Escorts for Most Shipping

By John H. Cushman Jr.

New York Times Service

WASHINGTON — In a response to the reduction of tensions brought about by the Iran-Iraq cease-fire, the U.S. Navy plans to relax the protection it provides to merchant ships in the Gulf, Reagan administration officials say.

While U.S. ships will continue to patrol Gulf waters and stay in position to aid merchant vessels if attacked, most civilian ships will not be directly escorted in convoys, the officials said.

18 Leftist Inmates Flee Turkish Jail

Reuters

ANKARA — Eighteen leftist prisoners, including three sentenced to death, have escaped from a high-security Turkish prison after digging a tunnel more than 100 meters long, the police said.

Two soldiers and three guards were questioned after the escape, in Kirsehir, 150 kilometers (95 miles) southeast of Ankara. "It is not possible to escape without inside help," the prosecutor in Kirsehir, Necip Unluturk, said at a news briefing.

He said the prisoners, mostly members of the banned far-left Turkish Workers Peasants Liberation Army and the Turkish Communist Party, started the 118-meter (385-foot) tunnel from a cell earlier four or five months ago and had "shifted the equivalent of four truckloads of earth."

departure last week of the cruiser Vincennes, which in July shot down an Iranian passenger jet over the Gulf, killing 290 people.

The new plan, while it does not involve a dramatic reduction in the fleet, means the navy will be operating at a less demanding tempo, and that the U.S. believes danger is dwindling.

A Defense Department official said two other changes in Gulf operations will be made at the same time.

The navy will no longer fly regular maritime patrols by P-3 Orion aircraft to examine Iranian movements in the Gulf, and it will no longer be necessary to send AWACS radar planes from Saudi Arabia to track aircraft.

For the time being, the navy will not remove the aircraft carrier that usually patrols a few hundred miles outside the Gulf with accompanying warships.

The Pentagon, in a brief statement on the change, said it meant only "modest modifications of our present method of providing protection to U.S.-flagged shipping in the Gulf."

"The modifications currently under consideration do not involve any significant reduction in force levels," the statement said.

The United States now has 26 ships in its Gulf fleet, including 17 inside the Gulf. Since convoy operations began more than a year ago, 85 convoys have made transit under U.S. escort.

Defense Department officials have said for the last month that they would move as quickly as possible to reduce the Gulf fleet as soon as it became clear that the cease-fire had lowered dangers.

So far, only one notable change has been made in the fleet: the

departure last week of the cruiser Vincennes, which in July shot down an Iranian passenger jet over the Gulf, killing 290 people.

The new plan, while it does not involve a dramatic reduction in the fleet, means the navy will be operating at a less demanding tempo, and that the U.S. believes danger is dwindling.

A Defense Department official said two other changes in Gulf operations will be made at the same time.

The navy will no longer fly regular maritime patrols by P-3 Orion aircraft to examine Iranian movements in the Gulf, and it will no longer be necessary to send AWACS radar planes from Saudi Arabia to track aircraft.

For the time being, the navy will not remove the aircraft carrier that usually patrols a few hundred miles outside the Gulf with accompanying warships.

The Pentagon, in a brief statement on the change, said it meant only "modest modifications of our present method of providing protection to U.S.-flagged shipping in the Gulf."

"The modifications currently under consideration do not involve any significant reduction in force levels," the statement said.

The United States now has 26 ships in its Gulf fleet, including 17 inside the Gulf. Since convoy operations began more than a year ago, 85 convoys have made transit under U.S. escort.

Defense Department officials have said for the last month that they would move as quickly as possible to reduce the Gulf fleet as soon as it became clear that the cease-fire had lowered dangers.

So far, only one notable change has been made in the fleet: the

Advertisement for The Dorchester hotel in London, featuring the text "In London, your preferred choice is The Dorchester" and "The Dorchester is the epitome of British tradition and one of London's most famous Hotels."

Advertisement for Absolut Vodka, featuring a bottle of Absolut Vodka and the text "ABSOLUT VODKA" and "This superb vodka is distilled from grain grown in the fields of southern Sweden."

Large advertisement for GoldStar electronics, featuring a large image of a television set and the text "Go for the Gold!" and "Goldstar extends a warm welcome to all participants and spectators of the Seoul Summer Olympics."

Advertisement for GoldStar electronics, featuring the GoldStar logo and the text "GoldStar The brightest star in electronics" and "Goldstar Co., Ltd., Yoido P.O. Box 335, Seoul, Korea; Tel: (02) 787-3581/3611."

Herald Tribune

More Than Just Money

The United Nations has lately shown a resolve to tackle its long-standing organizational problems...

cooperation. Meanwhile, increasingly pragmatic Third World countries are no longer so quick to blame the developed world for their problems...

Today's United Nations is different from the one the Reagan administration so disdained. It has launched long-overdue reforms in staffing and budgeting...

Its agreement to pay cases the threat of imminent UN insolvency. But Mr. Reagan owes the United Nations something besides dues...

The Gas Is Spreading

No one will be greatly surprised to hear that, as the State Department now says, Libya is preparing to manufacture poison gas...

And although both Iraq and Iran resorted to it in their long war, gas is not likely to be widely used on the battlefield; the winds are too unreliable for most generals' taste...

Gas can also be delivered, unfortunately, by terrorists. Libya has been arming a variety of terrorist organizations, not all of them Arab...

Other Comment

Nuclear Power at Issue

This month, a fire broke out in the Soviet Union's biggest nuclear power plant. Apparently no radiation leaked into the atmosphere...

benign, and its cost can be competitive. Its use is not accompanied by the exacerbation of acid rain and the greenhouse effect...

The environmental movement provides something for everyone in terms of middle-class social activity. Unfortunately, the future of the movement and the willingness of the [British] public...

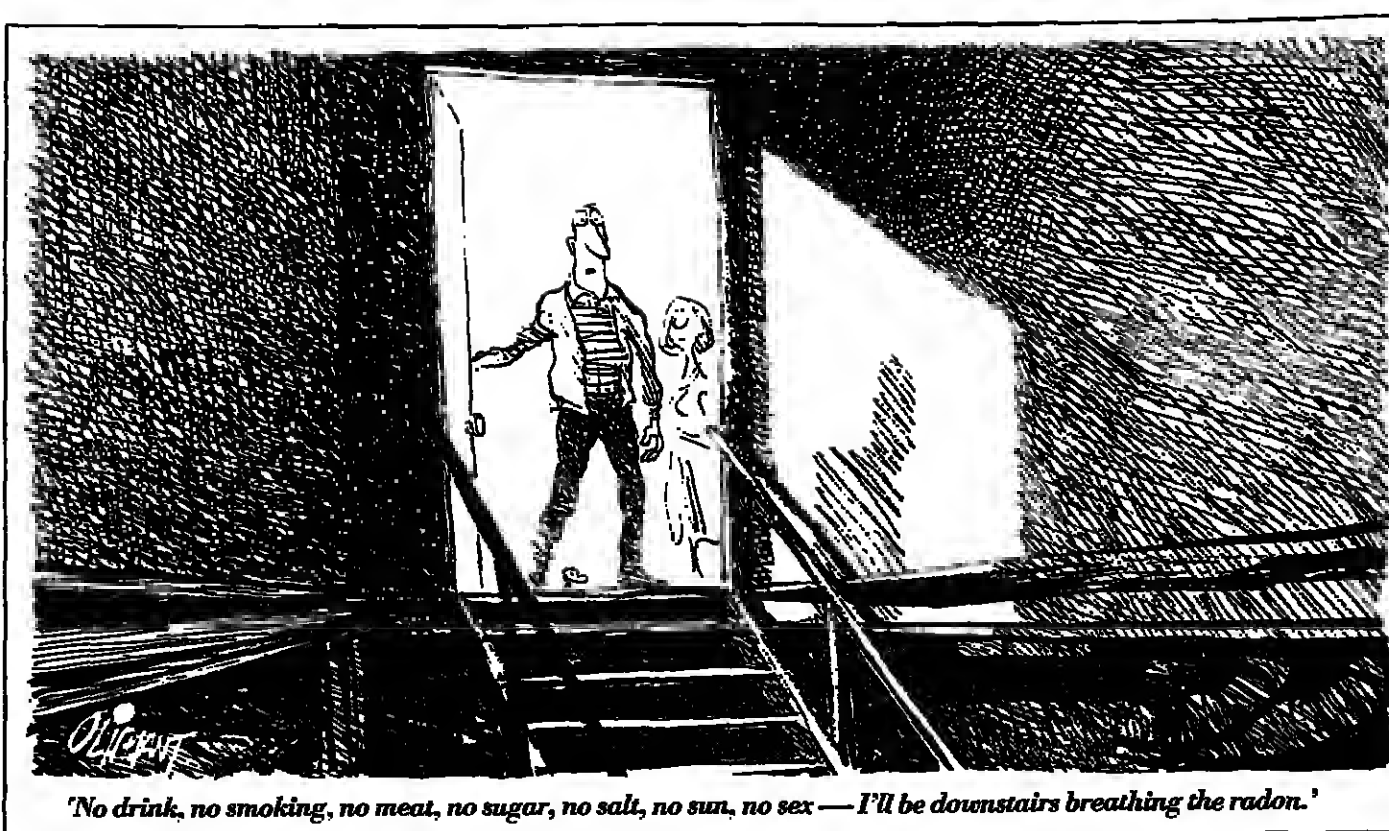
A Good Start to the Games

Space weapons seem to us to be extraordinarily expensive and of very doubtful effectiveness. Moreover, the psychological effect of their attempted deployment could well permeate the arms race...

The Games of the XXIVth Olympiad were launched by an opening ceremony that achieved an inspired balance between ravishing spectacle and sustained good taste...

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1988-1992 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

OPINION



Trade: Asian Growth Is Good News for the West

By Sanjoy Chowdhury

SINGAPORE — Trade between S countries in Asia is growing rapidly, creating a new momentum in global economic affairs and underscoring Asia's emergence as an increasingly powerful force in the international economy...

Further appreciation of the currencies of a number of Asian countries which will make their exports more expensive and imports cheaper.

These figures underline the critical importance of the Japanese economy to the rest of Asia, especially South Korea, Taiwan, Hong Kong and Singapore.

Japan has a large trade surplus with almost every Asian country. Indonesia and Malaysia are exceptions because both sell large quantities of oil and natural gas to Japan.

The writer is senior economist, Asia-Pacific, for Merrill Lynch (Singapore). He contributed this comment to the International Herald Tribune.

Iraq Shouts and the Other Arabs Fall Into Line

By Richard Cohen

WASHINGTON — Charges that Iraq used poison gas against the Kurds, Iraq says, are an attempt by the United States to divert attention from the Palestinian problem...

Second, the State Department reports that it intercepted Iraqi air force communications. These, apparently, provided the hard evidence.

How can Israel deal with such people? The Arab states say nothing to this.

How can Israel be assured that moderate Arab states will attempt to control the more zealous ones — at the very least by using public opinion?

Campaign: The 'Softness' Scare Hurts Dukakis

By Jim Hoagland

PARIS — Democrats may react in Zbigniew Brzezinski's defection to the Bush campaign as Winston Churchill responded to the news that Italy had allied itself with Germany at the start of World War II...

the aura of the loser right now, in large part because Mr. Bush has successfully revived the image of the Democrats being 'soft' on defense.

After eight years of the greatest peacetime defense buildup America is likely to see, the polls suggest that Mr. Bush has been able to persuade voters that a possible delay in the deployment of the Trident D-5 warhead should determine who should be president.

Mr. Dukakis has not been able to find strong symbols for the more submerged but equally strong worries over trade, the deficit-ridden economy, race relations and the future of an education system in deep trouble.

Candidates: Differences To Consider

By Flora Lewis

PRINCETON, New Jersey — European officials, East and West, are unusually relaxed about the American elections. They don't feel they have a big stake in the outcome...

Despite the candidates' efforts to sharpen their profiles, foreign policy is not a major issue in the broad sense. That is one reason George Bush keeps harping on it.

A Republican president who takes care to assuage hard-liners might have an easier time getting new arms control treaties ratified, although the realty-brokers will fight any agreements with the Soviets...

The other key difference is in the people the president names to carry out the policy. Mr. Reagan put an unprecedented number of political appointees in ambassadorial and ranking department jobs...

Mr. Dukakis looks like a good one who advised Mr. Bush to use the line of attack blaming Mr. Dukakis for failing to attribute all the changes in the Communist world to the Reagan administration.

Mr. Dukakis is right in pointing out that the military budget can no longer be increased. It is 'soft on defense' to try to solve all questions by throwing money at them.

1888: Tower Men Strike H. Gary, chairman of the board of directors of the United States Steel Corporation, estimates the wealth represented by the passengers who attended the ball at \$850,000,000.

1938: Czechs Mobilize PRAGUE — Premier Milan Hodza today [Sept. 18] solemnly promised his people there would be no plebiscite in Czechoslovakia and told the world his countrymen were ready to fight for their lives.

100, 75 AND 50 YEARS AGO

1888: Tower Men Strike

PARIS — The ouvriers in the Champ de Mars, having worked at the Tower Eiffel until it now reaches a height of 140 meters, yesterday [Sept. 18] struck for higher wages.

1913: Brilliant Crossing

PARIS — The ball which took place on the recent westward trip of the steamship Imperator, as described in a cable dispatch from New York, was another indication of the advance in steamship travel within recent years.

Rio Says It's Bankrupt, And Brasilia Bars Aid

By Marlise Simons
New York Times Service
RIO DE JANEIRO — After quarreling with bankers and creditors for weeks, the mayor of Rio de Janeiro has publicly declared the city in a state of bankruptcy.

The coffers of this city, long the proud flagship of Brazil, are so empty that there are no funds to pay teachers, suppliers or contractors.

Mayor Saturnio Braga said in a dramatic television speech Thursday night that there would be no money even to pay the salaries of the city's 104,000 employees.

"All our federal income is blocked and we are not able to borrow a cent," the mayor said gravely. "The situation is more than serious."

In the handsome palace that houses the city hall, worried officials elaborated on the ills of this city of about nine million inhabitants.

With debts of \$150 million abroad and more than \$130 million at home and no loans in sight, they said, the city's fate now depends entirely on the even more debt-ridden federal government.

Some repercussions of being broke are already looking critical. Contractors who have not been paid for months have suspended public works projects. Public hospitals, officials said, have begun to suffer serious shortages. And within days, food stocks will run out for school meals, often the only meal of the day for pupils from poor neighborhoods.

"It's a drama, but then, New York went broke and pulled through," said Andrea Bacha, an official of the Bank of Rio de Janeiro. "We would like to know what recipe they used."

Mayor Braga, 57, an economist, has blamed the national government for his plight.

As Brazil slides ever deeper into its general economic crisis, the federal government has frozen virtually all municipal and state funds.

To make matters worse, city officials said, the treasury has also failed to disburse most of the mon-

ey pledged to help the city recover from storm damage early this year. But the city has already spent those funds.

And even the mayor's sharpest critics concede that with inflation estimated at close to 700 percent this year, almost any budget is unmanageable.

"The city mostly lives off taxes, but by the time today's taxes are collected several months from now, they're worth half or less," Mr. Bacha said. "The hole only gets bigger. There is no way to catch up."

Water, this city's bliss and beauty, in recent months has also become its blight. Rainsstorms early this year caused \$20 million worth of damage.

Now the city's best features are being soiled as ruptured sewer ducts pour tons of untreated sewage into the sea just off Ipanema Beach. Repairs will take until December and the authorities have warned people to avoid beaches affected by sewage pollution.

Much of Rio's troubles come from the recent decades in which the city has turned from a political and cultural capital into a decaying resort.

In the past 20 years, the population has doubled. But since the federal government moved to Brasilia and banks and businesses shifted to Sao Paulo, this city can no longer generate a high number of jobs or revenues.

In the search for remedies, tourist officials this year have budgeted large amounts for advertising in the United States and Europe. But tourism is hampered by Rio's reputation as a hotbed of pickpockets and assaults.

One result of Mayor Braga's declaration of bankruptcy has come quickly. The national government has now said it will expedite payment of a loan of almost \$40 million allocated for emergency public works that became due six months ago.

City officials say they are drawing up an emergency plan. For one, they said, they may be forced to sell city property, starting with land, buildings and Rio's new car racing track.

Many Foreigners Plan To Monitor Chile Vote

By Shirley Christian
New York Times Service
SANTIAGO, Chile — Over the objections of the government of President Augusto Pinochet, several hundred prominent political figures and others from Western democracies plan to come to Chile to observe the Oct. 5 presidential plebiscite.

Opposition groups, which are seeking to block General Pinochet from winning a new eight-year

term, believe the presence of the visitors will help prevent violence at polling places.

"The important thing is that they come in large numbers and that they be qualified observers," said Genaro Arriagada, executive director of the Command for the No, the coalition of 16 opposition parties campaigning against General Pinochet.

"We are not asking for foreigners who are militant supporters of the No," he said. "We are asking for true observers, people willing to work according to international recognized practices for observers."

The bipartisan group from the United States will be led by Bruce Rabbitt, who is a former Democratic governor of Arizona, and a Republican who has not yet been named.

Adolfo Suarez, the former Spanish prime minister, will be at the head of several dozen former chiefs of state or government from Europe and Latin America.

Others coming include a former Ecuador president, Osvaldo Hurtado Larrea; a large number of current and former legislators, including Thomas F. Eagleton, a former Democratic senator from Missouri; legislative aides; labor leaders, and human rights activists.

General Pinochet has repeatedly criticized the intentions of the foreign delegations, declaring that Chile will not tolerate having elections judged or "certified" by foreigners.

But the Foreign Ministry says the nation is open to just about anybody who wants to come.

In addition, officials of the Interior Ministry, which will compile the unofficial results on election day, have held unpublished meetings with advance foreign delegations looking at vote preparations.

Juan Ignacio Garcia, director of the quasi-independent Electoral Service, which will control the election and conduct the official count, has met with many such groups.

After 15 years of military government, Chilean opposition parties see the plebiscite as an opportunity to force General Pinochet from power.

If he fails to get a majority to retain the presidency, he is obligated, under rules for a democratic transition written at his direction, to call free elections by the end of next year.

Peace Talks Revived in Nicaragua

By Stephen Kinzer
New York Times Service
MANAGUA — Efforts by the presidents of Guatemala and Costa Rica appear to have broken a three-month stalemate and given a new impetus to the Central American peace process.

Nicaraguan officials are scheduled to meet Monday with leaders of the U.S.-supported Nicaraguan rebels, or contras, for the first time since the peace talks between the rebels and the government broke off June 9.

Also, the five Central American presidents who signed a regional peace accord in August 1987 now appear to have reached firm agreement to meet in mid-November.

"A new summit meeting is urgently needed," President Oscar Arias Sanchez of Costa Rica said last week. "We need to discuss why our peace plan has not advanced more rapidly."

Both Mr. Arias and President Marco Vinicio Cerezo of Guatemala have been engaged in diplomatic efforts in recent days. Mr. Cerezo visited El Salvador, and he plans to travel to Costa Rica and Nicaragua on Thursday and Friday.

Mr. Arias met with regional vice presidents in San Jose last week. He has been in contact by telephone with the Nicaraguan president, Daniel Ortega Saverdra, and the Honduran president, José Azcona Hoyo.

The Costa Rican leader said he was confident that substantial advances would emerge from a meeting of presidents.

In these meetings, we always speak very frankly," Mr. Arias said. "Something is always accomplished."

But Mr. Arias, who won the Nobel Peace Prize in 1987 for his efforts in Central America, said he doubted that definitive advances could be made toward peace in the region until after the U.S. presidential election on Nov. 3.

"One reason there has not been more progress lately might be that more progress is waiting for the outcome of the American election," he said. "It has now been 13 months since the signing of the peace plan, since the birth of Central American hope for peace in Central America."

Mr. Arias said, "It is the responsibility of the five presidents not to let this hope die. That is the spirit that should guide our upcoming summit."

Foreigners Await Housing in Russia

Agence France-Press
MOSCOW — Seven hundred foreign families are living in hotels in the Soviet Union because of a shortage of official housing, the Communist Party youth paper has reported.

Komsomolskaya Pravda said last week that the government agency that oversees housing for foreigners does not have enough property to meet the demands of the 26,000 accredited foreigners. It was the first public report on the Soviet Administration of Services for the Diplomatic Corps.

The newspaper also said that the waiting list at the agency had grown longer despite steps toward economic liberalization begun three years ago.



PAPAL CALL FOR PEACE — Pope John Paul II at a Mass in Maputo, Mozambique, on Sunday, where he made a plea for "dialogue and reconciliation" to end the 12-year war between the government and guerrillas. He also appealed for worldwide aid to the country after visiting refugees and hospitalized war victims. John Paul was on the last stop of a tour of southern Africa.

Pullout Slowing in Cambodia

By Keith B. Richburg
Washington Post Service
BANGKOK — Since announcing plans in May for a major troop withdrawal from Cambodia and removing its military high command, Vietnam has not pulled out any more troops and appears unlikely to meet its stated goal of withdrawing 50,000 soldiers by the end of the year, according to Western diplomats and Cambodian guerrillas.

Diplomats in Bangkok said that Vietnam may be reluctant to remove more troops out because of the success of Khmer Rouge guerrillas in retaking some of the areas from which the first group of Vietnamese troops withdrew.

About 13,000 troops have left Cambodia so far this year, out of a total contingent estimated at 100,000 to 120,000.

"All we can say is that they are not moving fast on their withdrawal," a Western diplomat said. "It's getting increasingly unlikely — almost to the point of impossibility — for them to make 50,000 by the end of the year."

He said the Cambodian Army, trained and equipped by Hanoi, had not done well in a number of places since the withdrawals.

"The Khmer Rouge has just walked in to some areas," he added. The Cambodian government has had to ask Vietnamese troops to return to some regions, he said.

Analysts in Bangkok said a campaign by the Khmer Rouge to retake strategic areas near the Thai border might be an attempt to secure vital infiltration routes. These

would be important if the Vietnamese withdrew before a political settlement was reached in Cambodia and if civil war between the various factions broke out in the country.

A diplomat said all the Cambodian factions now appeared to be trying to improve their military positions should political talks fail to produce an agreement.

In July, talks in Indonesia between Hun Sen, the prime minister of the Hanoi-installed regime in Phnom Penh, and leaders of three opposition factions, failed to produce a settlement. But subsequent talks between China and the Soviet Union, which backs Vietnam, appear to have produced some progress.

Hanoi announced the plan to withdraw its troops as part of an effort to turn over the costly war to the Cambodian Army, created after Vietnam invaded the country in December 1978 and deposed the Khmer Rouge regime.

Despite Hanoi's repeated public statements that the new Cambodi-

an Army is capable of defending the country, diplomats in Bangkok say they believe that after the first Vietnamese withdrawals in May and June, the Cambodian Army quickly lost some border areas to the guerrillas.

In June, Vietnamese officials announced that, as part of its new policy and as a gesture to Thailand, Vietnamese troops would be pulled back 30 kilometers (19 miles) from the border with Thailand. The defense of that area would be taken over by the Cambodian Army, the officials said.

Since then, however, the poor showing of the Cambodian military and the aggressiveness with which the Khmer Rouge has taken advantage of the withdrawals have raised new questions about the effectiveness of the army.

Diplomats said these developments also increased uncertainty about whether Vietnam would be able to honor its pledge to withdraw all of its troops from Cambodia by 1990.

Ballots, Not Bullets, to Decide Peace in Western Sahara

By Paul Delaney
New York Times Service
MAHES, Western Sahara — The end to a long war for independence for this sparsely populated, largely desert region now hinges on votes, not bullets.

A local referendum, proposed by the United Nations and the Organization of African Unity, on whether the Western Sahara should be an independent nation or part of Morocco has been accepted by the rebel Polisario Front and by King Hassan II of Morocco.

"We will lay down our arms if that is the will of the Saharawi people," said Mohammed Abdaziz, general secretary of Polisario and president of the provisional government of what it calls the Saharawi Arab Democratic Republic.

"If the Saharawi people want a free and independent western Sahara, we will defend that choice," Mr. Abdaziz said. "But if they want to be a colony of Morocco's, we will accept their decision and stop the armed struggle."

Polisario has waged war for 13 years, first against Spain, then Mauritania and Morocco after Spain relinquished its colony to the neighboring countries in 1975. Most of the area is wasteland, but it is rich in phosphates and has a lucrative fishery industry.

Mauritania renounced its claims to the territory in 1979, and the subsequent Morocco-Polisario fighting has wound down to a stalemate. Morocco has refused direct talks with Polisario, while the organization rejected a suggestion by King Hassan that the Western Sahara become part of a confederation of Moroccan provinces. Both sides agreed late last month to the international peace proposal, which calls for the stationing of a UN peacekeeping force and a cease-fire to be negotiated by a UN representative who will also oversee the referendum.

At the moment, the carrying out of the peace plan awaits the appointment of the special representative.

One disagreement is over eligibility to vote in the referendum. Morocco insists that eligibility be limited to the 74,000 native Saharawi, or Saharans, who were counted in a Spanish census in 1974. The guerrillas say the Saharan population is now more than 200,000.

Another sticking point has been the presence of Moroccan troops, settlers and administrative staff whose numbers are in dispute but total more than 200,000. Polisario



civilians from the region. He said a token troop presence, separated by UN forces, would be acceptable, and civilians, especially administrators who would be needed in a postwar nation, could remain during the voting, "so long as they are prevented from trying to influence the referendum."

Major Battle Reported
Morocco and the Polisario Front have reported a major battle in the western Sahara, less than three weeks after conditionally approving the UN peace plan. Reuters reported from Rabat.

Morocco said there were 270 casualties in fierce fighting which raged on Friday around the Oum Dreiga section of Morocco's defense wall.

Polisario reported 200 Moroccan soldiers were "put out of action" and 25 taken prisoner in the attack. It said Colonel Abdelsalam Ahidi, commander of the third regiment of motorized infantry, was captured, but died later of severe wounds.

Morocco said the Polisario which normally mounts hit-and-run raids against the 1,600-kilometer (1,000-mile) wall surrounding the Moroccan-held territory committed more than 1,000 men to the battle.

First Rocket Launching Is Close, Israel Declares

JERUSALEM — Israel is close to launching its first space rocket, the head of the Israel Space Agency said Sunday.

If successful, the launch would enhance Israel's military deterrence, and Israel would join the United States, the Soviet Union, France and China as nations with launching capabilities.

Yuval Neeman, the director of the agency, said, "We are certainly close to that kind of thing, where we would just launch something into space."

But Mr. Neeman cast doubt on foreign press reports that Israel was on the verge of launching a spy satellite to reduce its dependence on U.S. military intelligence.

Mr. Neeman said his agency was working only on scientific and telecommunications satellites, some of which might be launched by Israeli rockets.

Prime Minister Yitzhak Shamir denied that Israel was preparing to launch a spy satellite.

"No one is talking about a spy satellite," he said. "Who said anything about spying?" He was questioned about a report in a British magazine, Flight International, that said Israel had developed a reconnaissance satellite and a rocket to place it in low Earth orbit.

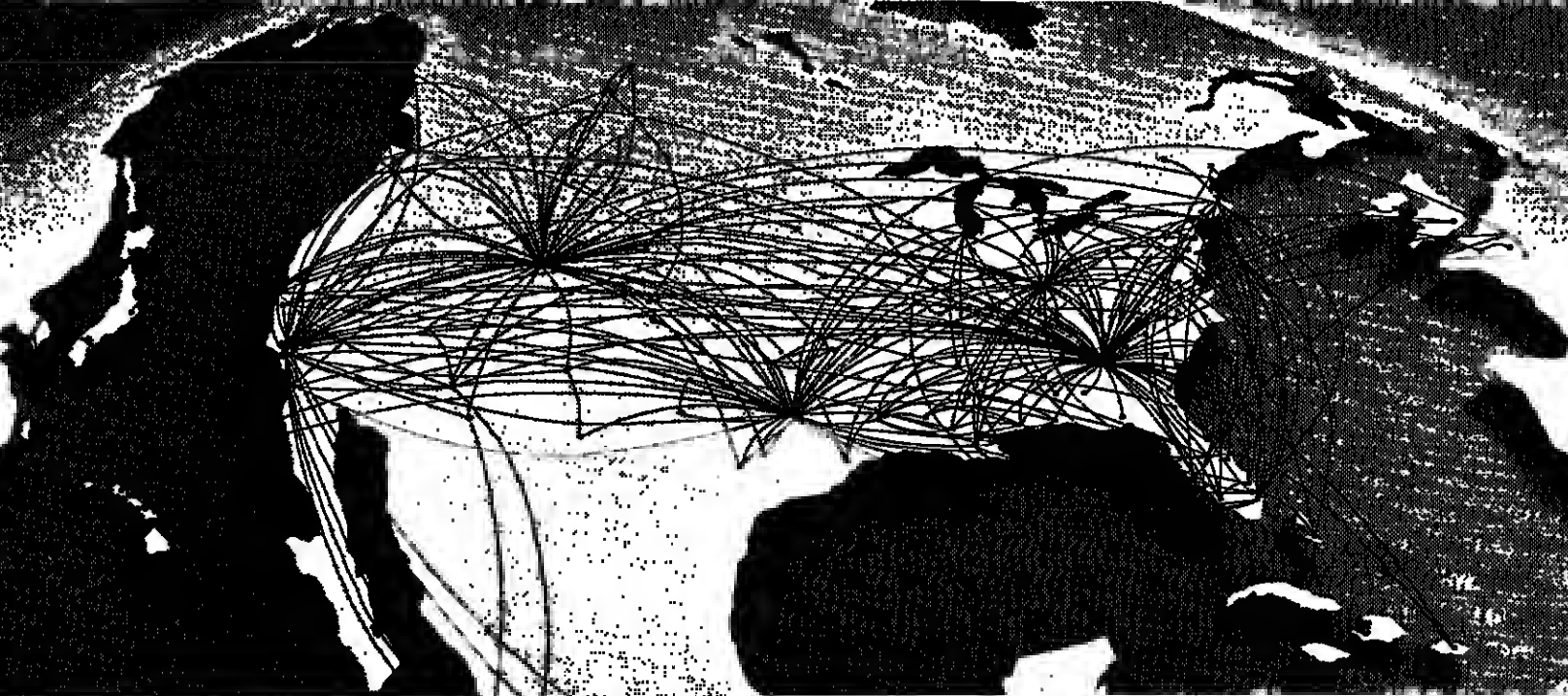
The prime minister dismissed suggestions that the United States supplied inadequate satellite information.

However, Mordechai Gur, a cabinet minister, hinted that Israel was working on a spy satellite because it could not rely on the United States to share intelligence data in times of crisis.

He said the United States "did not give us enough information" during the October 1973 war.

"When I say not enough," he said, "I mean less than what we got before the war."

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Solidarity Is Betting Tide of Reform Will Carry It

By Jackson Diehl
Washington Post Service

WARSAW — Solidarity has chosen to move toward cooperation with the leadership of General Wojciech Jaruzelski, hoping that the momentum of Poland's latest reform process will eventually make political and labor-union pluralism inevitable despite official assertions that the banned union's reinstatement is impossible.

In a dramatic six-hour meeting Friday that marked a turning point in relations between the government and the opposition, Solidarity's leadership decided to accept General Jaruzelski's plan for an ambitious "roundtable" of negotiations on future political and economic reforms even after party leaders had bluntly ruled out the restoration of free trade unions in the near future.

In doing so, the union appeared to accept the argument of Interior Minister Czeslaw Kiszczak, the leader of the government initiative, that a "pro-reform coalition" could bring major economic and political changes to Poland, whereas the breakdown of the process now would only perpetuate Poland's political impasse of the last seven years and invite a new national crisis.

"Everyone in the hall was acutely aware that within weeks we could have a new, huge wave of strikes and protests that would risk an economic catastrophe," said Wladyslaw Frasyniuk, a Solidarity

worker who participated in the talks.

At the same time, the veteran Solidarity leader, Lech Walesa, and other key union strategists have concluded that the process of negotiation, with the mobilization of workers and stimulation of public expectations that is likely to accompany it, may propel General Jaruzelski's leadership into a situation in which it can no longer refuse Solidarity.

Already, Solidarity leaders said Saturday, the union has made the remarkable gain of winning recognition as a major social force from the same leaders who suppressed it under martial law seven years ago and denied its existence until this month.

In a dramatic speech at Friday's meeting, Solidarity participants said, a deputy Politburo member and national alliance chief, Stanislaw Ciosek, declared that simply staging the talks with a 10-member Solidarity delegation showed that the authorities recognized the union.

"Look what is happening here — Frasyniuk and Kiszczak are talking," Mr. Ciosek said to those who were not at the session. "He said this apparatus was afraid that if Solidarity would be legalized, it would be flooded with members."

The Solidarity delegates heard some direct evidence of the hard-line opposition at Friday's meeting as delegates from the official, Communist-backed trade unions stood one after the other to denounce the idea of trade-union pluralism.

Remarkably, however, several members of the government group, including Jan Janowski, the delegate of the Communist-allied Democratic Party, Jan Szczepanski, a prominent sociologist, and Mieczyslaw Krajewski, an official

trade union lawyer, spoke in support of Solidarity.

General Kiszczak told the union delegation that he saw a place for Solidarity in Poland but that "his hands are tied," Mr. Frasyniuk said. He said the interior minister had asked the opposition leaders "to believe that the authorities have the intention to introduce deep reforms" and that Solidarity's reactivation was "a question of time."

The general said he realized "the risk that we take by participating in the talks," Mr. Frasyniuk recounted. "But he said they also are taking a risk, that it is so tense inside the party now that he didn't know if he himself would still be interior minister in two weeks' time."

General Kiszczak outlined a number of reforms that could spring from the roundtable talks. They include creation of a second chamber of parliament and an office of president, a joint government-opposition platform for next year's parliamentary elections that would include dozens of opposition candidates on an official ticket and a new series of reform steps for the economy. The government has also promised a new law that would permit formation of some legal opposition groups.

By agreeing to go forward with the talks, then, Solidarity is betting less on the government's planned reforms than on the guess that, as a hard winter draws nearer, its bargaining power is sure to grow.

Workers replied by chanting "There is no freedom without Solidarity." They waved red and white banners with the union's logo.

Polish leaders held two emergency weekend meetings as they battled discord in the party over their decision to negotiate with Solidarity. The nation's leader, General Wojciech Jaruzelski, met Saturday with powerful Central Committee secretaries, provincial party chiefs and heads of Central Committee departments and then presided over a full meeting of the ruling Politburo.

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REVOLT THREATENED OVER KOSOVO — At least 50,000 Yugoslavs at a rally in Niksic, Yugoslavia, threatened rebellion Sunday if the nation's leaders failed to take action against what the protesters say is persecution of Serbs and Slavs by ethnic Albanians in Kosovo Province, in Serbia. Niksic, the main industrial center of Montenegro Province, has a mainly Slav population.

Walesa Hopeful of Change

Reuters

CZESTOCHOWA, Poland — Lech Walesa told tens of thousands of cheering workers Sunday that Solidarity would very soon be restored to legal existence.

"Solidarity is very near," the union leader declared to participants in a pilgrimage to the shrine of the Black Madonna of Jasna Gora.

The pilgrimage was established in 1983 by the Reverend Jerzy Popieluszko, a pro-Solidarity priest who was killed by the security police in 1984.

Workers replied by chanting "There is no freedom without Solidarity." They waved red and white banners with the union's logo.

Polish leaders held two emergency weekend meetings as they battled discord in the party over their decision to negotiate with Solidarity. The nation's leader, General Wojciech Jaruzelski, met Saturday with powerful Central Committee secretaries, provincial party chiefs and heads of Central Committee departments and then presided over a full meeting of the ruling Politburo.

under martial law seven years ago and denied its existence until this month.

In a dramatic speech at Friday's meeting, Solidarity participants said, a deputy Politburo member and national alliance chief, Stanislaw Ciosek, declared that simply staging the talks with a 10-member Solidarity delegation showed that the authorities recognized the union.

"Look what is happening here — Frasyniuk and Kiszczak are talking," Mr. Ciosek said to those who were not at the session. "He said this apparatus was afraid that if Solidarity would be legalized, it would be flooded with members."

The Solidarity delegates heard some direct evidence of the hard-line opposition at Friday's meeting as delegates from the official, Communist-backed trade unions stood one after the other to denounce the idea of trade-union pluralism.

Remarkably, however, several members of the government group, including Jan Janowski, the delegate of the Communist-allied Democratic Party, Jan Szczepanski, a prominent sociologist, and Mieczyslaw Krajewski, an official

Kurds Are No-Shows in Iraqi Press Event

By Patrick E. Tyler
Washington Post Service

ZAKHU, Iraq — The Iraqi government tried to demonstrate that thousands of Kurds are returning from Turkey after as many as 80,000 of them fled across the border to escape an Iraqi Army military onslaught. But the Kurds did not show.

On Saturday, the Iraqi Information Ministry flew dozens of journalists to this outpost on the Khabar River, which separates Iraq and Turkey, and promised that they would witness the return of 1,000 Kurds from camps in Turkey.

Large numbers of Iraqi Kurds fled across the border recently, saying that their villages had been attacked with chemical weapons when the Iraqi Army began an offensive against their mountain bases after a cease-fire in the Gulf War on Aug. 20.

Foreign reporters were invited to Zakhu in an effort by the government to refute allegations that Iraq was carrying out a campaign of genocide against the Kurds, and that chemical weapons had been used against Kurdish rebels in the mountains of the northern region of Kurdistan.

But after reporters toured the area, the Information Ministry confiscated dozens of videotape cassettes from foreign television crews to review tape of smashed and scorched Kurdish villages.

When a large group of journalists reached Zakhu on Saturday morning, they waited for an hour at the Turkish frontier before Iraqi officials said that "technical difficulties" had prevented the Kurds from crossing the border.

Diplomats said that none of the Kurds who fled to Turkey have returned to Iraq, where they fear a wave of repression for the support their guerrilla groups gave Iran during the Gulf War. But an estimated 10,000 to 20,000 Kurds have returned to Iraq from Iran, Iraq officials and Kurds say.

It was a disappointing day for Baghdad, which is facing a diplomatic crisis over the Kurds, who set off concern in Western capitals and in the press by alleging that the Iraqi government had used poison gas in its campaign to put down resistance.

On Friday, Iraq formally rejected a request by the United Nations to investigate the situation in Kurdistan.

But at the same time, Baghdad, seeking journalistic vindication that chemical weapons had not been used, opened the northern region to a tightly controlled tour by journalists.

In a bizarre moment on Saturday, dozens of reporters at the military air base at Mosul passed an Iraqi Army truck whose driver and passengers were wearing gas masks.

Foreign journalists completing a two-day helicopter tour of Kurdistan saw dozens of flattened and scorched villages. Major towns in the area, however, appeared to have been spared attack.

At Baufa, for example, reporters landed in five large, Soviet-made helicopters and were surrounded by hundreds of Kurdish children who appeared to have no fear of Iraqi military men.

When a reporter mentioned a scorched area west of Baufa and asked about spots of white residue on the charred earth, Iraqi military officials at first asserted that the burned areas related to "agricultural" and the white residue was from "camp fires."

But after further questions, a brigadier general from the Iraqi Army's 5th Corps took a reporter by helicopter to the site. The general described himself as the commander for operations against the Kurds but declined to identify himself under Iraqi Army policy.

He said Kurdish rebels had been attacked in the area near the village. But he denied that chemical weapons had been used, saying that they had not been necessary.

The white residue, upon closer inspection, appeared to be ash from incinerated trees.

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STORM: 330 Feared Dead

(Continued from Page 1)

the most violent on record, the director of the National Hurricane Center, Robert Sheets, said in Coral Gables, Fla. "Altogether, this could be a \$10 billion hurricane," he said.

Officials in Texas said that the toll might increase as a result of heavy rains expected to last for the next several days in the southern and western part of the state and in northern Mexico.

Earlier, Prime Minister Edward Seaga of Jamaica estimated the damage to his island nation at \$8 billion.

Losses to Jamaican tourism facilities, however, were reported as light. Most resort hotels are expected to be able to reopen by the December holidays.

But Mr. Seaga declared a one-month state of emergency for several cities along the island's southern coast, including Kingston.

The Texas coast, which had braced for the storm for days, suffered comparatively little damage.

BURMA: Gunfire Is Heard After Army Seizes Power

(Continued from page 1)

adviser to U Nu Win. U Maung Maung last month became the first civilian president since the military first seized power in March 1962.

But his concessions, such as offering a plan for multiparty rule, were widely viewed as too little, too late to stop the mounting protests.

U Maung Maung's government swiftly unraveled, with a nationwide general strike disrupting transportation and communications facilities, with food and fuel running critically short, and with many civil servants, police officers and even soldiers abandoning the ruling Burma Socialist Program Party to join the protesters.

There was no word on U Maung Maung's fate after the coup.

General Saw Maung, 59, has been described as a ruthless protégé of the hard-line U Sein Lwin, whose own brief turn at the presidency ended in July after 18 days in power with some of the worst violence in Burmese history. More than 1,000 people are believed to have died when U Sein Lwin unleashed a hard crackdown on the opposition that only prompted wider protests.

The No. 2 man in the new ruling military group appeared to be Lieutenant General Than Shwe, a deputy of General Saw Maung also described by analysts as a feared and ruthless field commander.

General Saw Maung, who was born in Mandalay, has only a high school education, but he has risen through the military ranks mainly because of his loyalty to U Nu Win.

A radio statement announcing the coup said, "In order to timely halt the deteriorating conditions on all sides over the country and for the sake of the interests of the people, the defense forces have assumed all power in the state."

The announcement said the armed forces had taken the dramatic step "to restore law and order and peace and tranquility" and also "to provide security and to facilitate transport and communications."

The announcement added that multiparty, democratic elections,

which would be the first in Burma since 1960, would be conducted as planned after "all the above-mentioned responsibilities" had been fulfilled. The deposed government of U Maung Maung had promised elections would be held within three months.

Some diplomatic analysts dismissed the long-term importance

of the coup, since the armed forces have in effect dominated Burmese politics since the 1962 military takeover.

"It is not a coup, because they are in power already," said a Western diplomat in Rangoon. "How can you stage a coup if you are running the damned place already?"

IRA Suspects Hiding In Sweden, Official Says

Reuters

STOCKHOLM — Several suspected Irish Republican Army guerrillas are believed to be in hiding in Sweden, a senior Swedish anti-terrorist officer said on Sunday.

Krister Hansen, head of the security police anti-terrorist squad, told the newspaper Svenska Dagbladet that a "large group" of suspected IRA guerrillas was under surveillance in the Malmo area of southern Sweden.

at "so-called peaceful solutions and international conferences."

"The solution to the Palestinian problem will only take place by holy war," the Hamas document says. "The initiatives and international conferences only waste time."

The organization's goal, the statement says, is to have "the creation of the Islamic state" proclaimed from the minarets of the mosques, "so that everything will go back to its correct place."

The underground leadership attacked the fundamentalist group by name for the first time in its 25th leaflet, now circulating on the streets. The leaflet says, "Anyone who disturbs by force the unity of our people serving the enemy and weakening the uprising."

Hamas has become a major force in the Gaza Strip, though its influence is still spotty in the West Bank. But Palestinians said that its protest calls were likely to be heeded in traditionalist Moslem areas such as Hebron and that its religious pronouncements give it a claim over Islamic institutions such as schools and charities.

Areas with large Christian Palestinian populations, like Ramallah and Bethlehem, which have been strongholds of the protest, are said

to be alarmed at the emergence of the Islamic organization.

Hamas, according to the document issued last month, traces its roots to the Moslem Brotherhood, which originated in Egypt. The brotherhood has long had strength in the Gaza Strip, although it has been superseded by the Islamic Jihad organization.

Israeli authorities have taken no direct action against Hamas in the crackdowns and roundups that the Israeli officials say have put some 18,000 Palestinians into custody at various times since the uprising began in December.

Palestinians maintain that the fundamentalists are being tolerated by the Israeli security forces in hopes of splitting the uprising. Similar tactics, they say, have been used in the past in the Gaza Strip to set Islamic fundamentalists against Palestinian leftists.

Referring to the fiery, wheelchair-bound Gaza clergyman who is regarded as the spiritual leader of Hamas, a Western diplomat said: "It certainly is remarkable with all these arrests, that someone like Sheikh Ahmed Yassin, who just goes on saying the most awful things about Jews, isn't touched."

The Palestinian movement has been plagued in the past by bitter factional and doctrinal disputes. For Palestinians, a major accom-

plishment of the protests has been cooperation between the often-quarreling rivals.

The divisions began surfacing early last month when Hamas leaders called for a general strike, widely observed, to mark the anniversary of a 1969 attack on Al Aqsa Mosque in Jerusalem, one of Islam's holiest sites. The "unified leadership" had not called for a strike to mark the occasion.

Two weeks ago, Hamas called a second strike day — largely ignored in East Jerusalem, but obeyed in many other Arab areas — to mark the beginning of the 10th month of protests.

The Hamas document last month criticized the PLO, saying it had been deluded into accepting the idea of a secular state by "the ideological confusion going on in the Arab world as a result of the invading external thoughts since the Crusaders, supported by Orientalism, the missionaries and colonialism."

However, the document also said: "We share the same homeland, the same pain, the same fate and the same enemy." When the PLO accepts Islam as the way of life, we will be its soldiers and the wood of its fire to burn the enemies."

By contrast, the latest leaflet from the "unified leadership," which appeared last week, called for Palestinians to support Mr. Arafat, the first time his name has been so used.

SPLIT: Fundamentalists Challenge the Leadership of the Arab Uprising

(Continued from page 1)

Reflecting the pressure from many of the local Palestinian leaders for the PLO to formulate a plausible peace proposal, the leaflet called for a "clear and specific program based on Palestinian nationalist principles."

Egypt Cautions PLO

Intervening in a critical debate, Egypt has urged the PLO to avoid a rapid decision on declaring a government in exile for the Israeli-occupied West Bank and Gaza Strip, The New York Times reported from Cairo.

The Egyptian position adds to the many competing arguments facing Mr. Arafat.

Diplomats in Cairo said Egypt was counseling delay to keep a decision from becoming an election issue in the United States or Israel, which could force politicians in those countries to take inflexible positions.

The long-running debate within the PLO over the establishment of some form of government in exile became the organization's overriding concern in July, when Jordan severed administrative and other ties with the West Bank. The area was annexed by Jordan four decades ago.

The Jordanian move was in response to the Palestinian uprising against Israeli rule.

The underground leaders of the uprising have urged the creation of a government in exile or a provisional government for the territories.

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DEATH NOTICE

Jacob Stattman
Chicago 17-10-1985 — Amsterdam, 10-9-1988

We love and miss you.
Heineke B. Stattman de Regt
Sarah L. Stattman
Yuri Stattman

Keizersgracht 786
1017 EC Amsterdam
The Netherlands

Information:
Rob Deema
Ttrel 50
3524 KM Utrecht
Tel: 030 - 893537

The funeral has taken place in Amsterdam

Handwritten signature or scribble at the bottom of the page.

MONDAY, SEPTEMBER 19, 1988

Page 7

EUROBONDS

That Odd Dollar Reaction To the U.S. Trade Figures

By CARL GEWIRTZ International Herald Tribune

PARIS—A funny thing happened on the foreign exchange market last week. The news on Wednesday of a much reduced U.S. trade deficit for July sent the dollar up sharply against the Deutsche mark but, surprisingly, the market stalled, leaving the dollar up on the week but below Wednesday's high.

The standard explanation in the marketplace for the spike against the mark and the subsequent stall was fear of central bank intervention. The Bundesbank had been in the market selling dollars before Wednesday's trade news, and the Federal Reserve System was in the market late in the day to stem its rise to 1.8790 DM.

Fear of continued intervention, so the story goes, caused the dollar to slip back. It ended the week at 1.8710 DM in New York, compared with 1.8495 DM the previous Friday.

The relative stability of the yen during all this was a surprise, dealers admit. They explain that, in addition to fears of intervention, Japanese exporters are big sellers of dollars when the rate hits 134.25 yen, preventing a significant rise above that level. The dollar hit a high of 134.445 yen but ended the week at 134.075, up from 133.65 a week earlier.

A different explanation for the foreign exchange market's failure to get carried away by the impressive drop in the seasonally adjusted July trade deficit — to \$9.53 billion, vs. a revised \$13.22 billion in June — is a suspicion that election-year politics may have distorted the figures. This would explain the apathy of the Japanese, whose own government is undisputed master at massaging numbers.

"The U.S. figures look suspicious," said Arnold Simkin of Stratetcon, a London-based economic consulting firm. Seizing a number buried in Wednesday's news stories, he noted that the July deficit, unadjusted for seasonal variations, was \$12.04 billion. That was \$2.5 billion above the adjusted figure.

THE COMMERCE Department only started reporting adjusted figures with the April data, but it also published adjusted numbers going back two years and showing that in July 1987, the seasonal adjustment amounted to a reduction of \$2.1 billion and in July 1986, of \$1.8 billion.

Mr. Simkin said he could not say that this year's \$2.5 billion adjustment "is wrong." But he added, "I do say it looks suspicious. He noted the Reagan administration's interest in reporting a decline, since that would help lift the dollar and thus relieve the Fed of having to further raise interest rates in the run-up to the November election.

A further concern, Mr. Simkin said, was the revision of the June deficit: Up \$680 million from the figure first reported last month. A similar-sized revision next month, plus a correction for the over-sized seasonal adjustment, Mr. Simkin said, could put the revised July deficit at \$10.6 billion — fairly close to the \$11 billion that most analysts had forecast would not cause the exchange rate to budge.

A Commerce Department statistician, Kathleen Pazilla, who acknowledged receiving other queries on why the seasonal adjustment figure had risen, said that the differences are a function of the raw data. "We do not make one adjustment for the aggregate trade figures, we use six categories which are adjusted separately and the separated adjustments are added," she said.

She said that this year, there was an unusually large change in the automotive area, which primarily accounted for the outside July adjustment. Auto imports from Canada dropped sharply, mainly the result of plant shutdowns for the changeover to the new model year, which occurred earlier this year than usual.

Meanwhile, chartists were unimpressed by the dollar's performance. Analyst Simon Crane of Crane Investment Analysis said that the inability of the dollar to break out over 1.88 DM meant that it would soon be testing the 1.8550 DM level. At present, he sees no risk of the dollar falling below 1.8240 DM, and little chance of its making a sustained spurt beyond 1.88 DM.

At the same time, investors read the dollar's recovery from a week earlier and a continuing flow of lackluster economic data — slack retail sales, a modest rise in industrial production — to mean no imminent danger of a further rise in U.S. interest rates. That was good news for bond markets, where prices rose.

While this made for a good mood in the Eurobond market, the rally did not get very far, since investors also see no compelling reason why interest rates should decline. As a result, there is no stampede back into the market.

"Investors are sitting on lots of cash, and many are under-

See EURO BONDS, Page 11

Debt Ills Expected To Stay

World Bank Sees No Solution Soon

Reuters

WASHINGTON — No acceptable solution to the Third World debt crisis will be found in the foreseeable future unless the flows of money out of Third World countries are slashed and faster economic growth is achieved, the World Bank said Sunday.

"Progress toward an acceptable solution to the debt crisis requires a resumption of growth in per capita terms in the debtor countries," the bank said in its annual report. The report was released ahead of the bank's annual meeting this week in West Berlin.

Some measures of the economic health of poor countries did improve last year. Trade balances strengthened and the percentage of export revenues used to pay foreign debts fell.

But overall, "1987 must go down as another difficult year for the highly indebted countries," said the bank, which finances development in the Third World.

The economic growth rate per capita in developing countries slowed to 2.5 percent in 1987 from 2.8 percent in 1986, and they paid out \$30 billion more in debt service than they received in new money from richer countries.

These trends cannot be sustained, the World Bank said. Rising financial outflows from developing countries add to a pattern of shortfalls from reasonable expectations and progress that cannot be sustained in the medium term," the report said.

The economic performance of the various regions in the Third World varied dramatically last year.

The exporting nations of East Asia grew by 8.6 percent, up from 7.3 percent in 1986. But heavily indebted countries in Latin America grew just 2.5 percent, down from 3.8 percent in 1986. The economies of sub-Saharan Africa shrank by 1.5 percent, erasing most of the 2 percent growth chalked up in 1986.

The World Bank itself received more in interest and loan repayments in its latest fiscal year than it made in new loans.

Net transfers to current borrowers were \$1.9 billion in the bank's favor in the year ending June 30, compared with net loans to the Third World of \$975 million in 1987.

Although the total in the bank's favor was increased by voluntary early loan repayments from South Korea and Romania, and a temporary fall in new loans to Brazil, Nigeria and Yugoslavia, the figures were likely to add weight to charges by bankers and academics that the World Bank is not doing enough to help the Third World.

The bank plans to make between \$14.5 billion and \$19.5 billion in new loans this year, compared with \$14.8 billion last year.

A Sudden Loss of Promise at Searle

Suit Over IUDs Poses Threat to Monsanto Prize

By Julia Flynn Siler New York Times Service

CHICAGO — When Monsanto Co. bought G. D. Searle & Co. three years ago, it defended the \$2.8 billion purchase, noting that Searle's Nutrasweet division was hugely profitable and maintaining that its lackluster drug operation could be turned around.

At least until Sept. 9, Monsanto, which is based in St. Louis, Missouri, seemed well on the way to proving that its instincts were right.

Nutrasweet, which makes the popular low-calorie sweetener that name has continued to churn out solid profits and recently introduced a promising fat substitute under the brand name Simplesse that it expects to have on the market within 18 months. And the pharmaceutical unit seemed on the verge of a revival, with its sales rising and several drugs in various stages of the approval process.

But on Sept. 9, a jury in St. Paul, Minnesota, awarded \$8.75 million in damages to a woman hurt by the drug unit's Copper-7 intrauterine birth-control device, a decision that could unleash a flood of similar lawsuits.

The drug unit "was a strategic purchase for Monsanto, and it was on its way to becoming a major contributor to its profits in the 1990s," said James V. Daniel, an analyst at Brown Brothers Harriman. "But this IUD litigation could change everything."

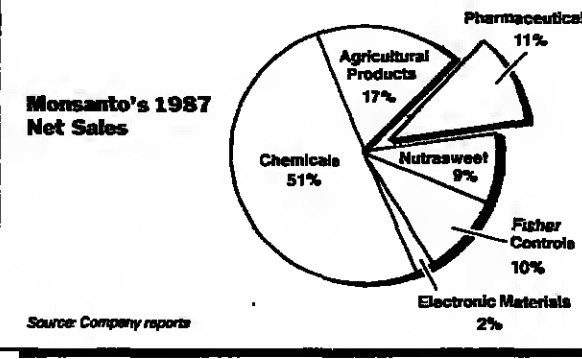
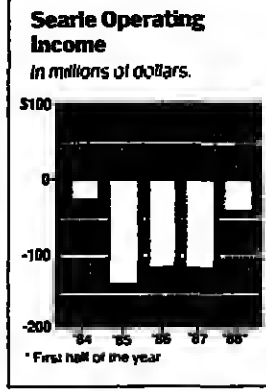
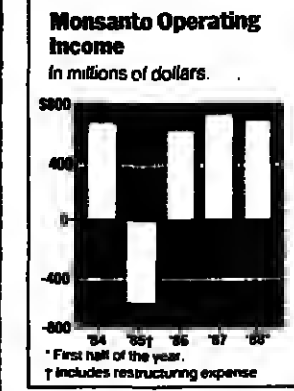
It seems unlikely that Monsanto could have fully anticipated the hornet's nest of legal problems that Searle would face. Although 800 or so Copper-7 cases had already been brought against Searle when Monsanto made its offer in mid-1985, most had been settled for a few hundred dollars or dismissed.

Richard J. Mahoney, Monsanto's chairman and chief executive, saw the acquisition as an important step in his strategy to transform Monsanto from a conservative producer of bulk chemicals into an aggressive maker of more profitable specialty chemicals and drugs.

Monsanto had been working toward that goal since 1980. In a major restructuring program, it had shed businesses, accounting for more than \$2 billion in sales, reducing the percentage of its

A Drag on Monsanto

Monsanto's earnings, which have been depressed by losses from the G. D. Searle drug unit, have been unimpressive. Monsanto acquired Searle in 1985, at which time Searle included Nutrasweet. Nutrasweet has since become a separate Monsanto subsidiary.



Source: Company reports

assets involved in commodity petrochemicals from about 25 percent to just under 7 percent.

Nonetheless, the company still gets 51 percent of its sales and 68 percent of its operating income from chemicals, plastics and fibers. Its 11 percent return on equity, although an improvement from a negative 3 percent in 1985, is still below Mr. Mahoney's goal of 20 percent.

Moreover, Mr. Mahoney would give Monsanto a development and marketing staff to help guide its own products through the regulatory maze.

The move was clearly risky. Monsanto paid 18 times Searle's earnings and almost 5.5 times its book value. The purchase added nearly \$3 billion in debt to Monsanto's balance sheet, increasing its debt to more than 50 percent of capital from 18 percent.

In addition, the research and development side of Searle's drug business had suffered a 12-year dry spell. Its last major discovery, the antifungal compound Cyclozole, came in 1973. The unit's operating earnings fell by more than 60 percent from 1982 to

Pearson Says Reed Has Asked About Takeover

By Warren Getler International Herald Tribune

LONDON — Pearson PLC, the British publishing and industrial conglomerate, said Sunday that it has been approached by Reed International PLC another publishing concern, about a potential takeover.

Pearson confirmed that its chairman, Lord Blakenham, met Peter Davis, chief executive of Reed, at Mr. Davis's request. But it said "no specific proposals, formal or informal, were made" at the meeting.

The announcement appeared to contradict an article in the Saturday edition of the Financial Times, which Pearson owns, that said Pearson had rejected a "friendly merger" approach from Reed. The article suggested that Pearson, which also owns half of the Economist Newspaper Ltd., might soon confront a formal, hostile bid from Reed.

The Pearson statement on Sunday, which did not refer directly to the article in the Financial Times, said, "The board of Pearson has not considered any proposal from Reed and, furthermore, has never considered or sought a defensive merger."

Pearson, which has been the subject of takeover speculation, agreed last week to a share swap with Elsevier NV, a Dutch publishing conglomerate. The accord was viewed by London analysts as a defensive move to thwart possible Pearson predators, including Reed and Rupert Murdoch's News Corp., which holds about 18 percent of Pearson.

There has been speculation that Mr. Murdoch, who has publishing and other media interests in the United States, Australia and Britain, might be interested in selling his Pearson stake to Reed.

A subsequent article published in the Sunday Times, a London-based newspaper owned by News Corp., added to that speculation, saying Mr. Murdoch had "suggested" to Reed that he might support its plans for a Pearson takeover in 1987.

But reflecting the view of other analysts, Paul T. Lening of Morgan Stanley & Co. said, "There are clear signs that Searle is in the midst of a massive turnaround." Mr. Lening estimated that the drug unit could generate pretax earnings of \$200 million within three years.

Indeed, Mr. Lening attributed See MONSANTO, Page 11

Reed "has not been ruled out." Reed officials were not available for comment.

Reed, according to market observers, would like to move aggressively into global publishing, having disposed of its large European paper and packaging business in July for \$620 million (\$1.05 billion).

Reed sees a merger with Pearson as a logical move, particularly since it boasts book publishing names like Octopus, Heinemann and Hamlyn, that would mesh with Pearson's holdings. Those include the Penguin and Addison-Wesley publishing lines and several regional newspapers.

Reed, which also owns the Cahners and IPC groups of business magazines, has a cash hoard estimated at \$800 million (\$1.34 billion). Nevertheless, any hostile bid for Pearson is expected to be a protracted, uphill battle.

The Elsevier agreement effectively placed just over 40 percent of Pearson stock in friendly hands.

The story in the Sunday Times said Mr. Murdoch, the largest single shareholder in Pearson, was not informed in advance about the link with Elsevier and was "angry" about the development.

The paper said the London Stock Exchange is examining whether the share-swap deal requires shareholder approval. Exchange officials could not be reached for comment.

It also said the British Takeover Panel has been asked to examine whether the share swap is in breach of laws prohibiting so-called "concert parties" from acting without broad shareholder approval to make or break a takeover bid.

Pritzker Bid For Ramada Is Rejected

PHOENIX, Arizona — Ramada Inc., the hotels group, has announced that its board of directors has unanimously rejected an unsolicited takeover bid by FCC Corp. as grossly inadequate.

FCC, owned by the Pritzker family of Chicago, had offered \$10 per share for Ramada. The Pritzkers already own 7.2 percent of Ramada's 39.7 million outstanding shares.

Ramada's board said in a statement Friday, after meeting to discuss the offer, that its decision was based partly on an opinion by its financial adviser, Salomon Brothers Inc., that the offer was "grossly inadequate and unfair from a financial point of view."

HCC proposed the takeover earlier this month, saying that it intended the offer to be subject to the opposition of the Ramada board, but adding that in other circumstances it might unilaterally increase its stake, or sell it.

Harmonization of Taxes in EC Remains Elusive

Compiled by Our Staff From Dispatches

ELOUNDA, Greece — The European Community's vision of a unified internal market by 1992 has suffered a big setback in the failure of its finance ministers to narrow their differences over harmonizing indirect taxes, diplomats said Sunday.

The informal meeting of ministers at this resort on the island of Crete over the weekend was ar-

ranged to settle the contentious issue of value-added taxes in order to ease the dismantling of border controls, seen as a key element of the single market.

But although the Greek economy minister, Panayiotis Roumeliotis, who chaired the talks, described them as "extremely constructive," it was clear that the EC Executive Commission's proposals on indirect taxes were still far from being agreed.

Diplomats said that many ministers had asked for a step-by-step approach, saying they could not accept the speed with which they were expected to implement the measures.

But they and community officials stressed that the concept of a barrier-free community remained alive. "It's hard to imagine the member states getting their act together by the end of 1992, but we have gath-

ered a momentum in the right direction that cannot be stopped anymore," one official said.

The European Commission wants member states to align their rates of value-added tax between 14 percent and 20 percent, with socially sensitive items carrying lower rates, between 4 percent and 9 percent.

VAT rates now range from zero to 38 percent; the variation in taxes on alcohol and tobacco is even greater.

Diplomats said that failure to narrow differences on indirect taxes boded ill for a string of community legislation on the internal market, which is still in the pipeline.

The commission was hoping to roughly unify the economies of its 12 member countries with about 300 new laws, of which just over 100 have been passed to date.

But once it was openly admitted that not all barriers to trade in goods, services, capital and people could fall by the end of 1992, member states would be much more inclined to favor more relaxed timetables on even slightly problematic new legislation, officials said.

The ministers asked Lord Cockfield of Britain, the commissioner responsible, to amend the proposals to make them more flexible, taking into account member states' specific problems.

But while promising flexibility, Lord Cockfield and the commission president, Jacques Delors of France, stressed they were not pre-charges in November 1988.

See VAT, Page 11

Currency Rates

Table with columns for Currency, Par 5, and other financial data. Includes entries for Amsterdam, Brussels, Frankfurt, London, etc.

Table with columns for Currency, Par 5, and other financial data. Includes entries for Argentina, Australia, Austria, etc.

Table with columns for Currency, 30-day, 60-day, 90-day, and other financial data. Includes entries for Forward Rates, Japanese Yen, Deutsche Mark, etc.

Last Week's Markets

Table with columns for Stock Indices, Money Rates, and other market data. Includes entries for United States, DJ Index, S & P 100, etc.

Lawyers in Drexel Defense Go on the Offensive

Compiled by Our Staff From Dispatches

NEW YORK — Lawyers for defendants in the Drexel Burnham Lambert Inc. insider trading case have gone on the offensive, issuing about 50 subpoenas for evidence in a move that gave a glimpse of the legal strategy they will use in their defense.

The subpoenas are wide-ranging and seek testimony and documents from business associates, friends and institutions familiar with Ivan F. Boesky. The former Wall Street speculator, now in federal prison, is expected to be the star witness in the Securities and Exchange Commission's case against Drexel, its junk bond chief, Michael Milken, and several others.

Mr. Boesky, however, had not been issued a subpoena, according to court papers filed by defense attorneys in the Drexel case.

The subpoenas indicate that the defense will try to damage the credibility of Mr. Boesky, who cooperated with the government for months before beginning his three-year prison sentence in March for his role in what was then the largest insider trading case in U.S. history.

"You've got a convicted felon there who bought his way out of jail time by wiring himself up and ratting on his friends," said John Stoppelman, a partner in the Washington law firm Bishop, Cook, Purcell & Reynolds.

It makes sense to attack the credibility of someone like Mr. Boesky, said Mr. Stoppelman, who is a former attorney for the SEC's enforcement division.

"Convicted felons aren't necessarily very credible in the eyes of judges and juries," he said.

Drexel and Mr. Milken are accused by the SEC of having initiated a secret pact with Mr. Boesky that involved using various Boesky organizations as fronts in a scheme to profit on corporate takeovers and other transactions.

The case was outlined in a 184-page civil complaint filed by the



Ivan F. Boesky

SEC on Sept. 7 in federal court in Manhattan.

Drexel, Mr. Milken and three other employees of the firm were charged with insider trading of securities, stock manipulation, defrauding clients, falsifying records and other violations of securities laws. Miami multimillionaire Victor Posner, his son, and Pennsylvania Engineering Corp., a company

controlled by the Posners, also were named as defendants.

It is widely expected that criminal charges will be filed against the Drexel defendants sometime in October, though the U.S. Attorney, Rudolph W. Giuliani, has declined to comment.

In fact, Mr. Stoppelman, echoing a number of other outside observers keeping abreast of the case, said he believes the civil suit is "just a side show" to the anticipated criminal case.

Meanwhile, a federal judge has acted to make more orderly and less time-consuming pretrial investigations in the civil case against Drexel and individuals' suits against Mr. Boesky.

U.S. District Judge Milton Pollock, who is presiding over the cases, ordered that the discovery or investigative process in all the cases be consolidated.

While the judge's brief order does not specify what this would entail, consolidated discovery could mean that witnesses are questioned by all lawyers at the same time instead of separately.

NOTICE BONDSELEX Swiss Mutual Fund for fixed income securities. Withdrawal of the listing of Bondselex Units from the Luxembourg Stock Exchange. Includes details about the fund and contact information for KREDIETBANK S.A.

BANQUE DE L'UNION EUROPEENNE. U.S. \$50,000,000 Floating Rate Notes 1979 - 1989. Includes details about the notes and contact information for Banque Paribas (Suisse) S.A.

PARSUISSE Fonds de placement en actions suisses. Direction: Banque Paribas (Suisse) S.A., Genève. Includes details about the fund and contact information.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30. Prices may vary according to market conditions and other factors.

Sept 25

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, and Japan. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

France

Table listing bond prices for France. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Germany

Table listing bond prices for Germany. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Italy

Table listing bond prices for Italy. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Spain

Table listing bond prices for Spain. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Switzerland

Table listing bond prices for Switzerland. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

United Kingdom

Table listing bond prices for the United Kingdom. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

United States

Table listing bond prices for the United States. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Yen Straights

Table listing bond prices for Yen Straights. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Mutual Funds

Prices as of close of trading Friday, Sept. 16

Large table listing various mutual funds with columns for fund name, price, and other details.

Scandinavian

Table listing bond prices for Scandinavian countries. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Spain

Table listing bond prices for Spain. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Switzerland

Table listing bond prices for Switzerland. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

United Kingdom

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United States

Table listing bond prices for the United States. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

Yen Straights

Table listing bond prices for Yen Straights. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

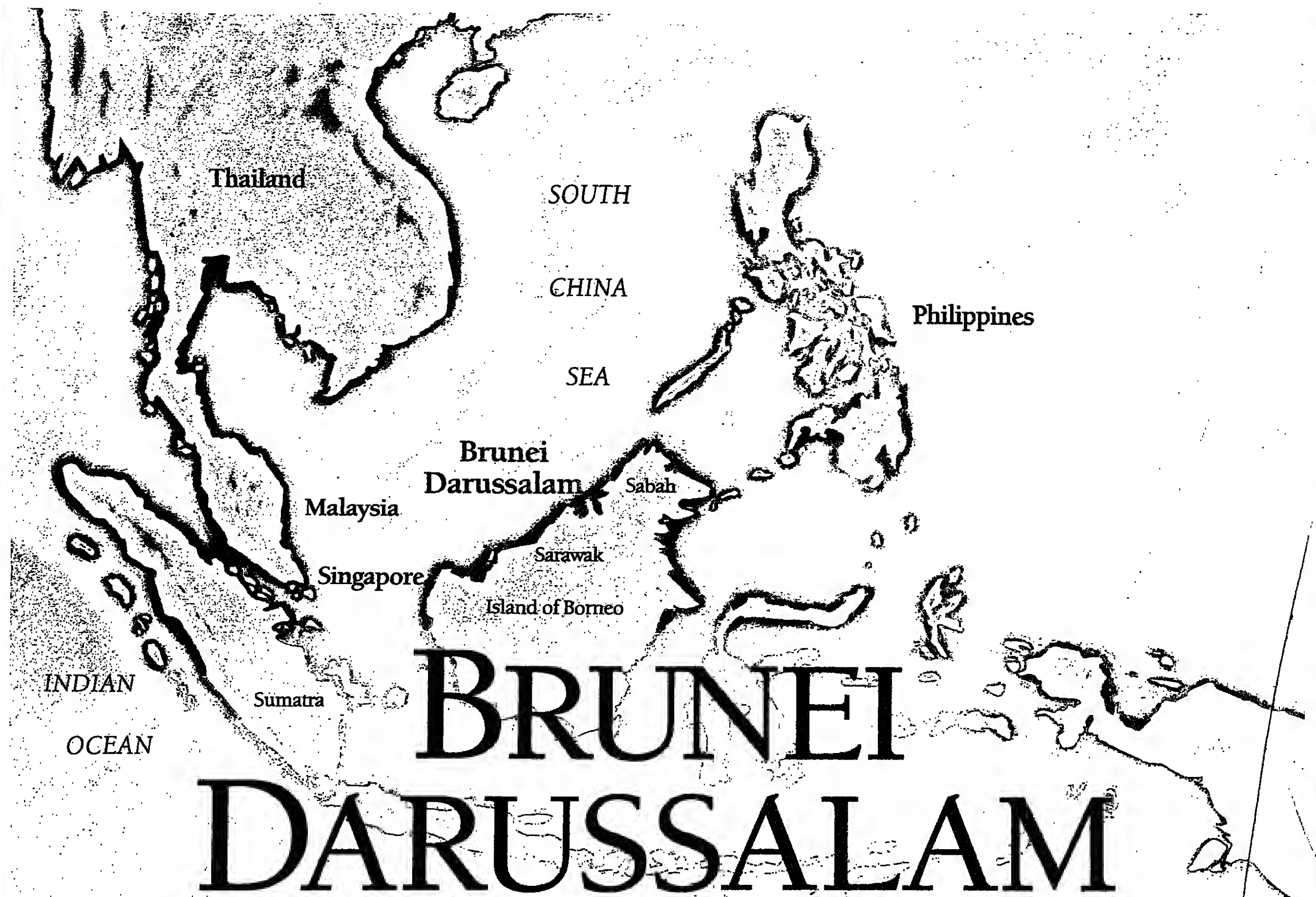
Non-European

Table listing bond prices for Non-European countries. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

DM Zero Coupons

Table listing DM Zero Coupon bond prices. Columns include Issuer, Con, Mat, Price, Yld, and Spd.

WestLB logo and contact information for various international offices including Düsseldorf, London, Luxembourg, Hong Kong, and others.



BRUNEI DARUSSALAM *in Profile*

A Short History

The Brunei Sultanate rose to prominence in the 15th and 16th centuries when the country extended throughout Borneo and as far north as the Philippines.

This golden age centred on two remarkable rulers, Sultan Bolkiah V and Sultan Hassan. Under their rule the Royal Court developed a splendour and ritual on a par with that of anywhere in the world and the territorial and religious influence of the country reached its peak.

In 1847, the close relationship between Britain and Brunei was first formalised with a treaty for the improvement of trade relations and for both states to co-operate in the suppression of piracy.

In 1888, North Borneo became a British protectorate and Brunei became a British protected state. In 1906, Brunei accepted a further measure of British control with executive power going to a British Resident whose duty was to advise the ruler on all matters, except those concerning local customs and religion.

Brunei was to remain under this Residency agreement until 1959, when a larger measure of domestic internal rule was granted by a Constitutional agreement of that year. In 1971, full internal sovereignty was resumed and in 1984 the country resumed full political sovereignty with responsibility for its own external affairs and defence.

Three key points need to be remembered about this stage in Brunei's history.

In 1521 the Portuguese historian Anthony Pigafetta visited the Sultanate of Brunei. He described the Sultanate as a rich, hospitable and powerful kingdom with an established Islamic Monarchy and strong regional influence in the Java and Borneo archipelago.

Today, almost five centuries later, a modern-day visitor would find much in common with that description by Pigafetta. Brunei is a wealthy country with one of the highest per capita incomes in the world, a well-established Islamic Monarchy true to its traditions, and a country which plays an important role in the affairs of its region.

Brunei is situated on the North-West end of the island of Borneo and has a total area of 5,765 square kilometres. It has a common border with Sarawak, one of the constituent states making up the Federation of Malaysia.

The country is mainly jungle with tropical forests covering about 70 per cent of the area. Brunei is divided into four districts—Brunei/Muara, Tutong, Belait and Temburong. The coastline extends for about 161 kilometres along the South China Sea.

The people of Brunei are mainly Malay and that language is the official one of the State. English is widely spoken and is also used in the education system. The country's estimated population is around 226,000. Malays make up around 155,000 and the Chinese 41,000. The non-Malay indigenous peoples, mainly Dusuns and Ibans, who live in the interior make up 11,500. There are around 18,000 expatriates from Europe and elsewhere working in Brunei including guest workers from other South East Asian countries, notably Malaysia and the Philippines.

— Brunei was never a colony and unlike its neighbours in South East Asia it did not experience a complete loss of sovereignty. In any event the British rule in Malaya was through the local sultans and consequently differed from the British colonial administration elsewhere.

— During the whole period there was continuity within the ruling family, one of the world's oldest dynasties, and loyalty to the Sultan remained the cornerstone of Bruneian politics in the protectorate period.

— The involvement with Britain saw close links develop between the two countries and at the same time Brunei was influenced by English Common Law, education and economic development. The Brunei of the 1980s, with its mixture of Islamic culture, sophisticated economic development and English Common Law framework, was deeply influenced by this period.

Modern Brunei's political history centres on the constitutional changes that Brunei has seen

in 1959, 1971 and 1984. Brunei has evolved into a full sovereign state playing an active role both in world politics and in international economic affairs.

Two men have dominated modern-day Brunei—the 29th Sultan, His Majesty The Sultan and Yang Di-Pertuan, Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah who has ruled since 1967, and His Majesty's father the 28th ruler Sultan Haji Omar Ali Saifuddien who was Sultan from 1950 to 1967. Between them they have led Brunei into full sovereignty and improved social conditions dramatically, while retaining tradition and stability.

The post-war period saw rapid and sustained expansion of Brunei's gas and oil industries, with a consequent increase in the country's infrastructure. A key fact in this development was a sound monetary and fiscal policy, without any excessively ambitious development projects.

The most unfortunate event in the post-war years was an armed rebellion in December 1962, organised from outside the State. This did not enjoy popular support and was soon quelled by loyal forces. Since that time, the country has known internal peace.

In 1984, Brunei resumed full sovereign status and took over responsibility for its own defence and foreign affairs from the United Kingdom. The country joined the United Nations, the Association of South East Asian Nations and the Organisation of the Islamic Conference. Today, Brunei is part of the community of nations conscious of its long history and the need to adapt to change.



The National Development Plan

Brunei's economy is dominated by the oil and liquefied natural gas industries and Government expenditure patterns. The Brunei Government is well aware of the inherent long-term problems caused by such a pattern and accordingly a series of national development plans have been implemented for the past twenty years.

The main aim of the Fifth National Development Plan 1986-1990 is to build up a more diversified economy. Previous national plans have been more concerned with improving the infrastructure.

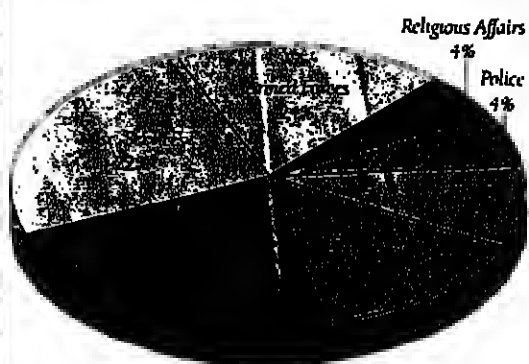
The current National Plan has nine objectives. These are:-

- 1 To improve the quality of life of the people.
- 2 To maximise the use of natural resources.
- 3 To develop new export orientated industries.
- 4 To accelerate human resources development so as to meet the country's demand for an increasingly sophisticated economy.
- 5 To maintain full employment and increase the level of productivity.
- 6 To maintain a moderate rate of inflation.
- 7 To foster a dynamic, disciplined and responsible society with its citizens as agents for progress and development.
- 8 To encourage and nurture the development of Malays as leaders of industry and commerce.
- 9 To have a clean and healthy environment.

Brunei's economy has performed well in the 1980s, although the macro-economic indicators are distorted by the depressing impact of the fall in oil prices during that period. Gross domestic product (GDP) per capita for the economy as a whole fell in the 1980s, following a dramatic 33.3 per cent growth rate in 1979 and a 67.4 per cent growth rate in 1980. This highlights the importance of oil and gas prices.

The non oil sector of the economy, particularly construction, has shown a healthy growth, with a boost in the infrastructure and a conscious move to diversify the economy which is the hallmark of the Government's economic planning. The fall in oil revenue has had no effect on living standards which have continued to improve steadily during the decade.

ESTIMATED GOVERNMENT EXPENDITURE, 1988



Finance

Brunei's financial power, monetary reserves and investment portfolio have been the subject of much international speculation and comment in recent years. In brief, financial policy in the Sultanate is determined by five key rules:

- 1 The investment objective is to increase over time the real value of the nation's foreign reserves.
- 2 A policy of sound finance should be followed at home, with inflation kept at low levels. The economy should not be allowed to 'overheat'.
- 3 The supply of credit must be sufficient to encourage local industry and entrepreneurs to expand.
- 4 Brunei's financial strengths should be used as a platform to develop financial skills, thereby providing employment opportunities among its citizens.
- 5 The overseas investment policy should be constructive, long-term, mutually beneficial, and should avoid any adverse effects on the host countries' economies.

The Ministry of Finance is in a relatively fortunate position compared to most of its counterparts elsewhere. Brunei has a buoyant revenue base—in 1987 the Government had an actual revenue, excluding investment income, of B\$2.7 billion and expenditure of B\$2.4 billion.

The small population means that Government expenditure can be controlled effectively and Brunei has run a policy of balanced budgets for many years. There is no national debt.

Brunei's monetary policy has been determined by linking the Brunei dollar to the Singapore dollar and there is parity between the two.

The Ministry of Finance feels that the Monetary Authority of Singapore exercises sufficient caution that such a link will not be detrimental to the economies of both countries. At the same time, this agreement is not seen as inhibiting the management of the domestic economy.

Prime Minister's Office

His Majesty The Sultan and Yang Di-Pertuan is the supreme executive authority in Brunei Darussalam. His Majesty has occupied the position of Prime Minister since resumption of independence in 1984.

Brunei's administrative system is centred on the Prime Minister's Office which has provided the thrust behind His Majesty's aim to introduce greater efficiency in Government departments. In his National Day speech in 1987 His Majesty pointed out that it was essential to keep the country's administrative machinery up-to-date, in line with the development of Brunei as an independent nation. His Majesty has followed a combination of traditional and reforming policies, moving away from a structure of a chief minister and officials to a full ministerial system with specified portfolios.

As Prime Minister, His Majesty is concerned with the day to day administration of the Government, in addition to being responsible for several departments within his portfolio:

- The Royal Brunei Police
- Adat Istiadat (Malay Customs)
- The Public Services Commission
- Councils of State
- Audit
- Establishment
- Detention Centre
- Anti-Corruption Bureau
- Petroleum Unit
- Broadcasting and Information

The Prime Minister's Office is located at the Istana Nurul Iman, His Majesty's official residence, which has become a symbol of national pride. In keeping with ancient Brunei tradition, the Ruler's Istana is the seat of Government and here the Council of Cabinet Ministers meets under the presidency of His Majesty.

Health

The quality of health care in Brunei is very similar to most other rich countries. An affluent life-style combined with a successful record in preventative medicine, improved water supply and sewerage disposal have meant that Brunei's health problems are not unlike those of developed countries such as the United Kingdom, the United States or Sweden.

Malaria has been eliminated from Brunei since 1970, although it is still a problem in the rest of Borneo, cholera and smallpox have been eliminated and the country carries out regular immunisation programmes. It has substantially met the health requirements laid down by the World Health Organisation in its Health for All by the Year 2000 Programme.

Planners at the Ministry of Health have had to cope with an upsurge of non-communicable diseases such as cancer, obesity and cardio-vascular diseases. AIDS, as yet, is not a major problem because of the country's strict religious, moral and traditional ways of life. However, the country is maintaining strict surveillance and taking preventative measures against the disease.

Brunei has an infant mortality rate of 9.96 per thousand live births in 1986, and a life expectancy for men of 70.2 years and 72.7 years for women.

The health service is free for Brunei citizens, with a very nominal charge for permanent residents and expatriate government servants and their dependants. Health care is a three-tier system, with health clinics providing secondary care and district hospitals the tertiary and specialised care.

The most important medical facility in Brunei is the 550 bed central referral hospital in Bandar Seri Begawan, known as Raja Isteri Pengiran Anak Saleha Hospital (RIPAS Hospital). Built at a cost of B\$162 million, this hospital provides diagnostic and therapeutic facilities for the whole country. In addition, there are hospitals at Kuala Belait, Tutong, Temburong and private



His Majesty Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddin Sa'adul Khairi Waddien, D.K.M.B., D.K., P.S.S.U.B., D.P.K.G., D.P.K.T., P.S.P.N.B., P.S.N.B., P.S.L.J., S.P.M.B., P.A.N.B., G.C.M.G., D.M.N., D.K. (Kelantan), D.K. (Johor), D.K. (Negeri Sembilan), Collar of the Supreme Order of the Chrysanthemum, Grand Order of Mugunghwa, D.K. (Pahang), Bintang Republik Indonesia Adipurna, Collar of the Nile, The Order of Al-Hussein bin Ali, The Civil Order of Oman, D.K. (Selangor), D.K. (Perlis), P.G.A.T., Sultan and Yang Di-Pertuan Negara Brunei Darussalam.

facilities run by Brunei Shell at Seria. For medical care not available in Brunei, citizens are sent overseas, at the Government's expense.

Brunei's health planners place great emphasis on primary health clinics and mobile services, particularly in the remote regions. The flying medical services go to 14 areas not easily accessible by land or river. In addition to health care, the Ministry of Health collaborates with the Ministry of Development in health related projects, for example, the provision of rural sanitation and water supply. 90 per cent of the urban and semi-urban population has piped water and 70 per cent of the urban population has sewerage sanitation. The Government has an ambitious water and sanitation programme for the rural areas.

In common with other advanced countries, Brunei is faced with a seemingly inescapable rise in the demand for health care and a continual rise in health costs. The Sultanate is in the fortunate position that it can afford to meet this increase and maintain the provision of, for example, the best available drugs and equipment for the health services.

The most serious problem facing the Ministry is a staff shortage. Most doctors and dentists in the country are expatriates and while Brunei is actively training its students on medical courses overseas, there is still a serious shortage. For very specialised care, Bruneians still have to be sent abroad. On economic grounds this is justifiable considering the investment in manpower and equipment that otherwise would be needed.



The National Stadium in Berakas

The Ministry of Health is also involved in helping fight the abuse of drugs; a programme which has been given priority by His Majesty The Sultan and Yang Di-Pertuan.

promoting the development of the Malay language, literature and culture of Brunei Darussalam.

To this end, the Bureau is making various efforts to widen the scholastic use of the Malay language. For example, while degree level courses in Malay literature have been introduced at the University, at the same time Brunei has hosted a number of important seminars on Malay language, the role of literature in Islam and developments in Malay poetry. International poetry readings and competitions have been organised with strong support by the Bureau.

In the absence of a national library, the Dewan Bahasa dan Pustaka library serves a wide range of needs. It has branches in all four districts and provides a mobile library service in both urban and rural areas.

Opened by Her Majesty Queen Elizabeth II in 1972, the Brunei Museum contains six galleries including exhibitions ranging from natural history to oil and gas exploration.

The Brunei Museum is also responsible for Brunei's Arts and Handicrafts Centre which encourages craft skills including the weaving of Brunei cloth. The Centre acts as a marketing organisation for a wide range of Brunei handicrafts.

An unusual museum in Brunei is the Winston Churchill Memorial Museum which has one of the finest collections of Churchill memorabilia in the world.

Another museum, Muzium Teknologi Melayu (Malay Technology Museum), was opened in February 1988.

Established in 1982, The Brunei History Centre was founded to undertake research into the rich history of Brunei Darussalam. Among the areas of special emphasis are the genealogy and history of the Sultans of Brunei and the Royal Family.

Sport is actively encouraged in Brunei and extensive sporting facilities are provided. The National Stadium is located in Berakas, near Bandar Seri Begawan. Football and badminton are the most popular games.

Brunei has a highly developed welfare state and its administration is the responsibility of the Ministry of Culture, Youth and Sports. The needy are especially well cared for and the state provides its citizens with non-contributory pensions from age 60 onwards.

Culture, Youth and Sports

The Language and Literature Bureau, one of the principal departments of the Ministry of Culture, Youth and Sports, is responsible for



Brunei has advanced medical facilities

ADVERTISEMENT

Oil and Gas

Commercial production of oil commenced in Seria in 1929 and the industry has dominated the Brunei Darussalam economy since that time. Oil and energy income as a proportion of gross national product has been falling in recent years.

However, Brunei Darussalam has avoided some of the recent public finance problems faced by other rich oil states. The country has a small population, Government expenditure has been carefully controlled and development projects carried out on a prudent and sensible basis.

Offshore oil production began in 1963 and now accounts for the vast majority of the Sultanate's exports. There are six offshore oil and gas fields—Champion, Magpie, South West Ampa, Fairley, Fairley-Baram (a unitised field with Petronas Malaysia), Gannet and two onshore fields at Seria and Rasau. Production is carried out by Brunei Shell Petroleum in which the Government has a 50 per cent stake.

Brunei Shell Petroleum is concerned with the exploration and production of oil and natural gas, oil refining and crude oil trading. The Companies within Brunei Shell are Brunei Shell Petroleum, Brunei LNG, Brunei Coldgas, Brunei Shell Tankers and Brunei Shell Marketing.

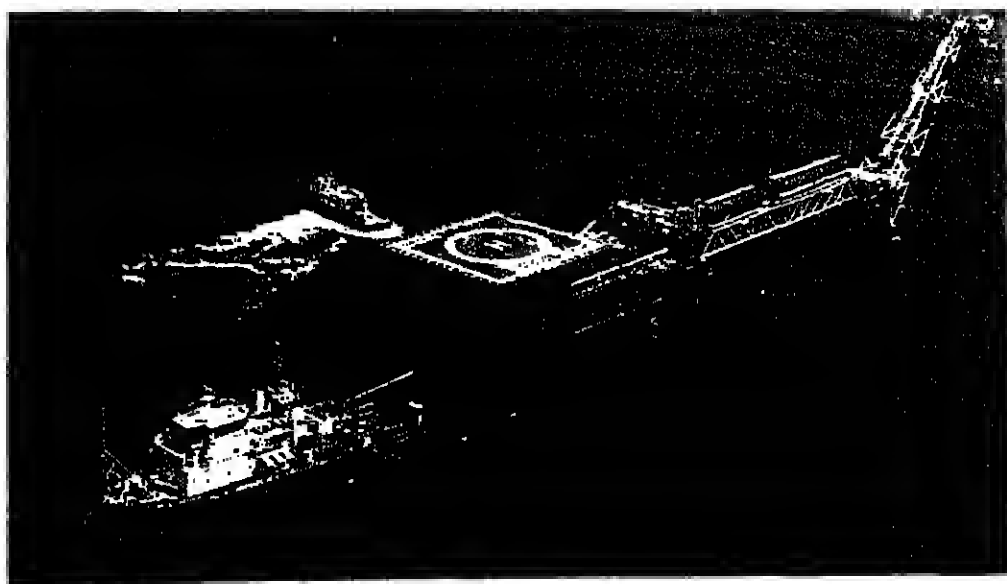
Brunei Shell Petroleum Company explores and produces crude oil and gas. It owns the Brunei Refinery. The Government of Brunei Darussalam and the Royal Dutch/Shell Group are equal shareholders.

Brunei LNG liquefies natural gas which it buys from BSP and in turn sells it to Brunei Coldgas. It runs the Brunei Refinery on behalf of Brunei Shell Petroleum. The Brunei Government owns 50 per cent and the other two equal partners are Royal Dutch/Shell and the Mitsubishi Corporation of Japan.

Brunei Coldgas buys liquefied natural gas from Brunei LNG and arranges its transport and sale to Japanese customers. The shareholding is similar to Brunei LNG.

Brunei Shell Tankers was set up in 1986 and has seven LNG tankers which it charters to Brunei Coldgas. The Brunei Government and the Royal Dutch/Shell Group are joint owners.

Brunei Shell Marketing Company markets petroleum products and chemicals within Brunei Darussalam. The Government



Brunei Shell's latest offshore platform, Gannet-1

and Royal Dutch/Shell Group are joint owners.

Oil and gas reserves in Brunei at the beginning of 1986 were at their highest ever level but have declined over the last two years. While pursuing its policy of conserving existing reserves, in an endeavour to find new fields the Brunei Government has encouraged other oil companies—Woods Petroleum, Sunray and Jasra-Elf—to drill exploration wells.

In 1972, what was at that time the world's largest liquefied gas plant came on stream at Lumut. Sales of 5 million tonnes a year of liquefied natural gas are sent to Japan under a 20 year contract which will expire in 1993.

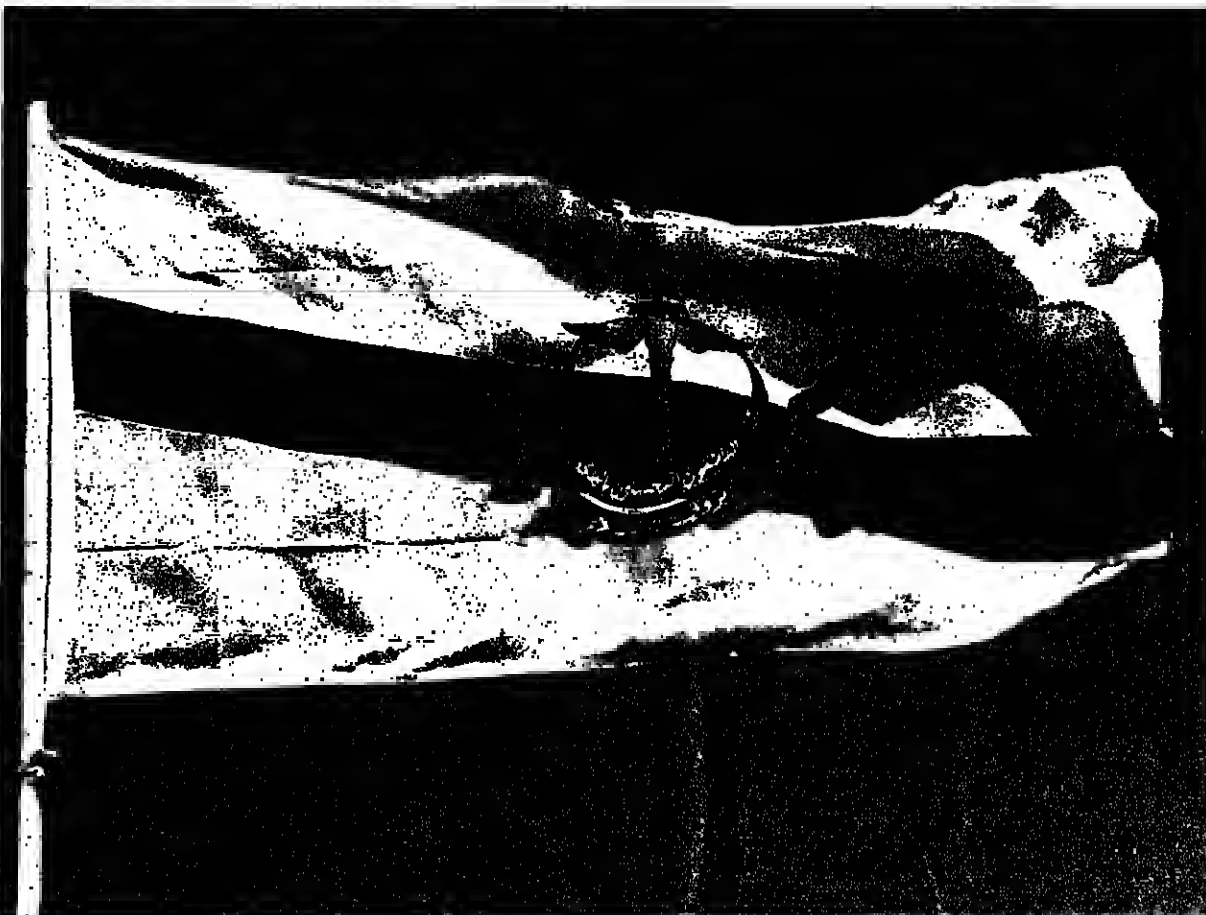
Education

Half of the population of Brunei is under the age of 20 and the education service within the Sultanate has seen a massive expansion in recent years. The concern over education and training within the country is reflected by the high profile given to young people.



Emphasis is placed on science studies in schools

His Majesty's commitment to developing youth opportunity has meant that education within Brunei has been given high priority. The school and further education system is seen as producing the necessary



The State flag of Brunei Darussalam which has been in use in its present form since promulgation of the Constitution in 1959

skills for making the country more sophisticated and less dependent on outside expertise.

Education is provided free from the age of five years for children who are citizens. Non-Government schools are required to be registered with the Ministry of Education and

follow the national curriculum as laid down by the Ministry of Education.

Brunei's education system has been extended since 1985 by the foundation of the nation's own university—The University of Brunei Darussalam. At present, the University has 515 students in four faculties—Education, Science, Arts, and Social Science and Management. By 1992, when the University's new campus is complete, some 2,000 students will be enrolled in degree and non-degree courses.

The University of Brunei Darussalam throws into sharp relief some of the educational problems facing Brunei. The small population and the need to build up skills rapidly is reflected in the fact that the University decided to concentrate initially on only a few disciplines since such degree courses as Law, Medicine, Dentistry, Engineering and Accountancy are readily available overseas. At the same time, the University's academic staff are mainly drawn from outside Brunei.

Agriculture

Brunei's agriculture had a particularly difficult period in the 1970s. Some two-thirds of the nation's livestock was wiped out in an epidemic and the opportunities provided by the public service and the oil industry accelerated a drift away from the land. The result today is that agriculture accounts for some 1 per cent of gross domestic product and 80 per cent of food is imported.

These problems have concerned the Brunei Government considerably and in recent years the development of agriculture has been given priority within the National Plan. This is not only because of the strategic need for food self-sufficiency, but also because many Bruneian traditions have agrarian roots and could disappear if

agriculture was no longer able to sustain them.

The revival of agriculture centres on the ultimate aim of self-sufficiency wherever feasible in the shortest time possible, particularly for vegetables, poultry meat and beef. Mechanisation is an essential part of the programme and the Government hopes to produce some 30 per cent of the nation's rice requirements through mechanisation of rice fields. A pilot project which began in 1978 on a 400 hectare site has already achieved success.

In beef, part of Brunei's requirement is met by its cattle station at Willeroo in Australia's Northern Territory. This station is larger than the area of Brunei. It is some 5,793 square kilometres and ranks as one of the world's largest. Beef consumption has been rising steadily.

In cattle breeding, the Government provides assistance to farmers and services such as medicinal aids, grazing land and cash grants.

Various specialities have been identified as possible growth areas within Brunei. The success story has been in egg production where the Sultanate has now reached more than 90 per cent self-sufficiency. This has been carried out by the private sector with Government support, education and advice.

The Brunei Government has encouraged agriculture through measures such as model farms, Government established farms, agricultural training and a



Agriculture is a priority within the National Development Plan

strong advisory and support service backed by research from the Ministry of Development's Agriculture Department. Efforts are being made to recruit young people back to agriculture and the rural programmes are designed to help encourage people to stay in the industry.

Infrastructure and Communication

Brunei's third and fourth National Development Plans placed considerable emphasis on building up the country's infrastructure and communications. The road network has been expanded and modernised between the major population centres. There is a main highway, the Sultan Hassan Bolkiah Highway, between Bandar Seri Begawan, Kuala Belait and Seria, and a new road between Muara and Tutong.

The Government has an ambitious road building programme. At present, there are some 1,450 kilometres of roads and the main highway runs the entire length of the State. Roads are the responsibility of the Public Works Department.

Brunei has one of the highest car ownership figures in the world and there are cheap loans available from the Government to help fund new car purchases.

Communications into the interior are still mainly by river, with the Brunei, Belait and Tutong rivers playing an important role. There are two ports at Muara and Kuala Belait and these provide facilities for shipping throughout the region.

Muara port is situated 28 kilometres from the capital, Bandar Seri Begawan, and has benefited from work carried out in recent years of widening the quay and improving deep water access. The Brunei communications authorities see port development as a catalyst for economic and property development alongside the actual ports.



Royal Brunei Airlines employ nearly 1,000 people.

The other main component of Brunei's physical transport links with the outside world is Royal Brunei Airlines. This has expanded since it was founded in 1974, and today employs nearly 1,000 people, the overwhelming majority of these Bruneian.

Royal Brunei Airlines operates flights to Bangkok, Darwin, Hong Kong, Jakarta, Kota Kinabalu, Kuala Lumpur, Kuching, Manila, Singapore, Taipei and from August 1988, Dubai. The airline has a fleet of Boeing 737's and Boeing 757's and projected passenger and cargo volumes show considerable increase into the 1990s.

The Malaysian Airline System, MAS (partly owned by the Brunei Investment Agency), Philippine Airlines, Singapore Airlines, Thai Airways International and

ADVERTISEMENT

Merpati Nusantara also have flights to Bandar Seri Begawan.

The Brunei International Airport serves some 500,000 incoming and outgoing passengers annually. A massive investment programme—B\$113 million over ten years—has made the airport one of the most sophisticated in the region. The new terminal building can now handle the 1.5 million passengers expected by the end of the century.

Brunei's telephone system is sophisticated with two earth satellite stations, direct international dialling and a full range of telex and facsimile facilities. In 1980, an electronic telephone exchange with a capacity of 27,000 lines was introduced and Siemens, the West German telecommunications company, plans to install a further 47,000 lines by mid-1989. The rate of increase in telephones per head has been one of the fastest in the world. In 1986, there were some 33,000 telephones in Brunei.



His Majesty The Sultan and Yang Di-Pertuan with the Royal Brunei Armed Forces

Defence

The importance which Brunei attaches to national security is underlined by the fact that under the fifth Five Year Plan, 10 per cent of expenditure is allocated to defence.

For its size, Brunei has one of the most well equipped armed forces of any country in the region, with a land, air and sea capability.

The Task Force of the Royal Brunei Armed Forces comprises land, naval and air forces grouped together as a brigade spearheaded by two infantry battalions. The Task Force is equipped with armoured reconnaissance vehicles and armoured personnel carriers, supported by Rapier air defence missiles. For coastal patrol work, there is a flotilla of fast strike vessels equipped with surface to surface missiles.

Plans have been announced for the Air Wing to acquire fixed wing jet and maritime surveillance aircraft with a view to being operational in 1992. Bruneians between the ages of 18 and 23 will be recruited to be trained as pilots. The new aircraft will

reinforce the Air Wing which at present comprises both armed and utility helicopters and provides helicopter support for other Ministries including the 'Flying Doctor' service.

The Royal Brunei Armed Forces has forged close links with its immediate neighbours, particularly Singapore, Malaysia and Indonesia. Joint exercises are carried out with the armed forces of ASEAN countries, and there is also close collaboration with other countries such as Britain and Australia. 1988 will see plans for one of the biggest ever joint exercises between British and Bruneian forces, involving ships from the British Royal Navy and a British battalion from Hong Kong as well as all elements of the Royal Brunei Armed Forces.



Among the foreign dignitaries who attended the first National Day celebrations was His Royal Highness The Prince of Wales pictured here with His Majesty The Sultan and Yang Di-Pertuan

Nations is maintained in New York. In Bandar Seri Begawan there are now 15 resident missions. Brunei has now concluded agreements on the abolition of visa requirements with 14 countries.

The Constitution and Legal System

Brunei's political system rests on the twin pillars of the country's written Constitution and the tradition of Malay Islamic monarchy. An additional and underlying feature is the country's adherence to the rule of law, a system based primarily on the English Common Law System and the independence of the judiciary. Brunei's first written Constitution came

criminal justice system is based on the Indian Penal Code and cases are tried either by magistrates or, for more serious cases, by High Court Judges. The language of the Courts is English and the High Courts sit every other month, between five and six sessions a year. Interpreters are available for non-English speakers. Legal aid is provided in capital cases and is available in appropriate civil and other criminal cases.

Brunei has an arrangement with the Government of Hong Kong whereby Hong Kong judges are appointed as judicial commissioners of Brunei by His Majesty The Sultan and Yang Di-Pertuan. The appointment is for three years and one of the main arguments in favour of bringing judges in from outside is that due to Brunei's small population, it is important that they should not know members of the community who

CUSTOMS, DUTIES, AND IMPORT REGULATIONS
Duties on imported goods may be specific or ad valorem. Generally, goods for industrial use are exempt from customs duty.

Clothes, watches and jewellery attract duties of 10 per cent; electrical equipment, timber, furniture, motor vehicles and spare parts and photographic equipment, 20 per cent; and cosmetics and perfumes, 30 per cent.

COMPANIES REGISTRATION
Companies in Brunei must either be incorporated or registered as a branch of a foreign limited company. A limited company has the word Berhad (Bhd) at the end of its name. There are similar restrictions to company names as pertain in the United Kingdom. Companies that are incorporated

shareholders. They can start business immediately upon registration, whereas public companies have to apply for a Certificate of Commencement of Business. Half the directors of private companies must either be Brunei nationals or locally resident.

EMPLOYMENT REGULATIONS
Foreigners entering Brunei to take up employment require work permits from the Department of Immigration. Identity cards, issued by the same department, are also required and are renewed annually.

LAND OWNERSHIP AND FOREIGN RESIDENCY
Ownership of land is generally restricted to Brunei citizens. However, the granting of land on a lease basis for specific use to any foreign entrepreneur can be considered.

TAXATION
Brunei does not have any direct taxation. There is no income tax and, within partnerships, income is similarly exempt from taxation. Individuals do not pay any capital gains tax and profits arising from the sale of capital assets are not taxable.

Brunei has a double taxation agreement with Britain. Foreign income not remitted to Brunei is not taxable and His Majesty The Sultan has discretion to relieve individuals or enterprises of company taxation if it is felt that this is of public benefit.

Limited companies are taxed at a rate of 30 per cent. Tax on petroleum operations is laid down by the 1963 Income Tax (Petroleum) Enactment. This is similar to the tax position in most oil producing countries. The generous tax treatment given to Brunei citizens is a consequence both of prudent financial housekeeping by the Government and its healthy oil, gas and investment income.

BANKING
Brunei Darussalam's banking system is regulated by the 1906 British Banking Act. However, the Ministry of Finance intends to introduce new and more up-to-date regulations in line with modern practices designed to protect depositors and creditors.

The development of a well regulated financial services sector within Brunei Darussalam is one of the Government's primary objectives. Traditionally, the banking system in Brunei Darussalam has been characterised by overseas banks which maintain branch offices. The most significant banks, in terms of the scale of their operations, have been the Hong Kong and Shanghai Banking Corporation, The Standard Chartered Bank, Citibank, and now there is a local bank, the International Bank of Brunei Bhd.

INSURANCE
There are a large number of insurance companies operating in Brunei. Some are locally incorporated but the majority are branches of international insurance groups. The operations of insurance companies are monitored by the Economic Development Board.

INFORMATION
If you would like to know more about Brunei Darussalam, please contact:
The Brunei Darussalam Information Desk,
Shandwick Public Affairs Limited,
49 Whitehall, London SW1A 2BX.
Tel: 01-839-2508 or 01-839-7198.
Fax: 01-930-1823.

Foreign Affairs

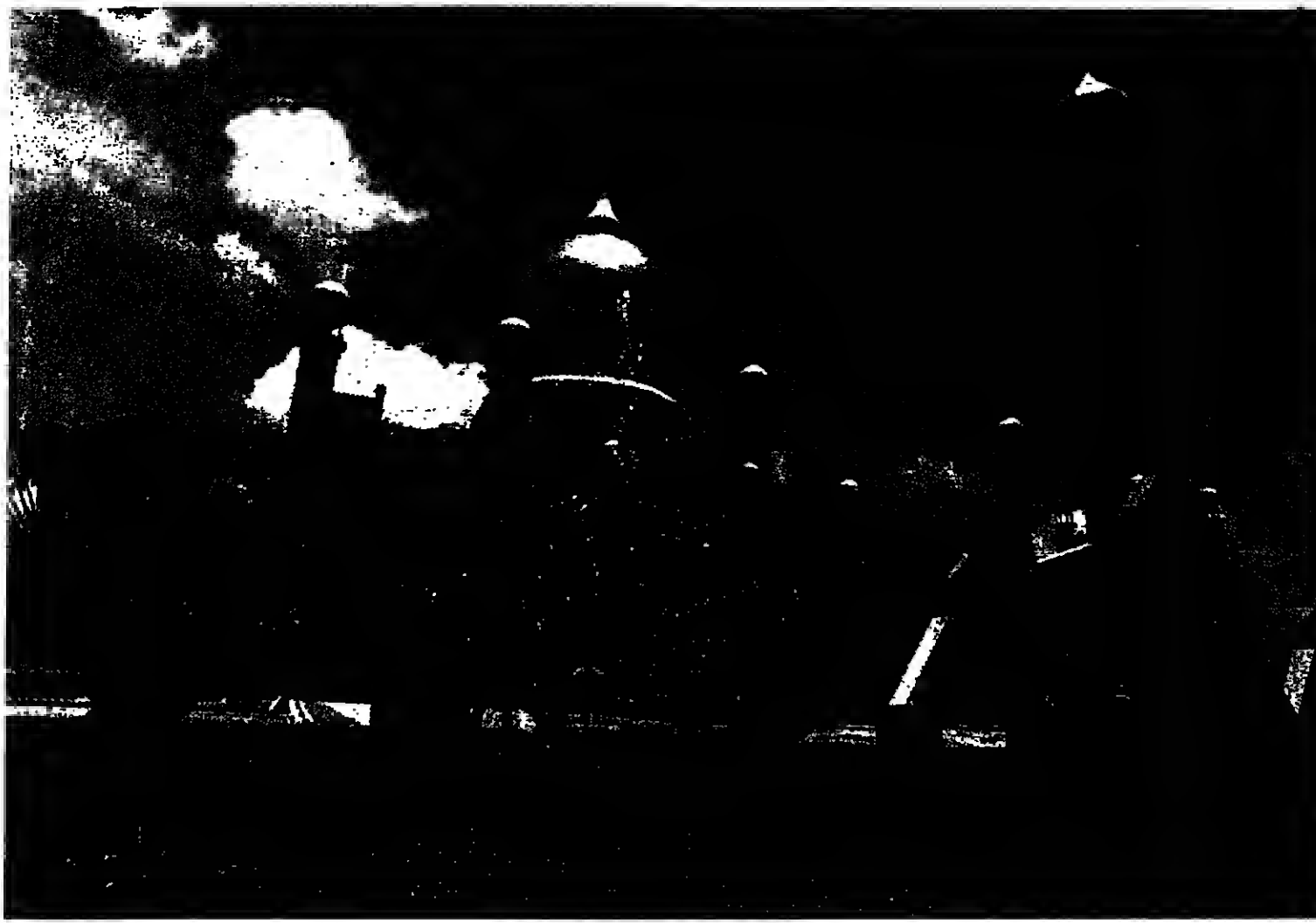
Among the principles which influence Brunei's foreign policy are support for the United Nations Charter, a growing role in ASEAN and membership of international organisations which strengthens links with other Islamic countries and with the Commonwealth.

In 1984 Brunei Darussalam was admitted as the 159th member of the United Nations. In his acceptance speech, His Majesty The Sultan and Yang Di-Pertuan said Brunei fully accepted the obligations contained in the United Nations charter and, together with other nations, would strive to realise the aims and objectives of the United Nations.

Brunei plays an active role in ASEAN, the Association of South East Asian Nations, whose other members are Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei became the sixth member of ASEAN one week after resuming full independence.

Brunei looks to ASEAN, the cornerstone in Brunei's foreign policy, to ensure territorial integrity, regional peace, security and stability. Brunei supports ASEAN's plans for ZOPFAN, a Zone of Peace, Freedom and Neutrality. It has played an active role in meetings of ASEAN and is the current country co-ordinator for the ASEAN-Canada Dialogue.

In his speech to ASEAN Heads of Government in Manila in December 1987, His Majesty The Sultan outlined the country's deep commitment to ASEAN: "Brunei has benefited much from our membership of ASEAN, and we look forward to the future, confident that ASEAN will continue to strive



The Omar Ali Saifuddin Mosque in Bandar Seri Begawan

into force in 1959 and since that date has been subject to important amendments in 1971 and 1984. The 1959 Constitution provides for the Sultan as the Head of State with full executive authority. The Sultan is assisted by five councils—The Religious Council, the Privy

they may find themselves judging. This arrangement will continue for some time until Brunei has enough qualified lawyers, when it can appoint its own local judges. Sir Denys Roberts, the former Chief Justice of Hong Kong, has been reappointed Chief Justice of Brunei while the Chief Justice of Hong Kong is made the President of the Court of Appeal of Brunei Darussalam. In the Court of Appeal, the President sits with two other judges.

The death penalty is still in the Brunei statute book but no occasion for enforcing it has arisen since 1953. His Majesty The Sultan and Yang Di-Pertuan has the power to exercise the Royal Prerogative of Mercy.

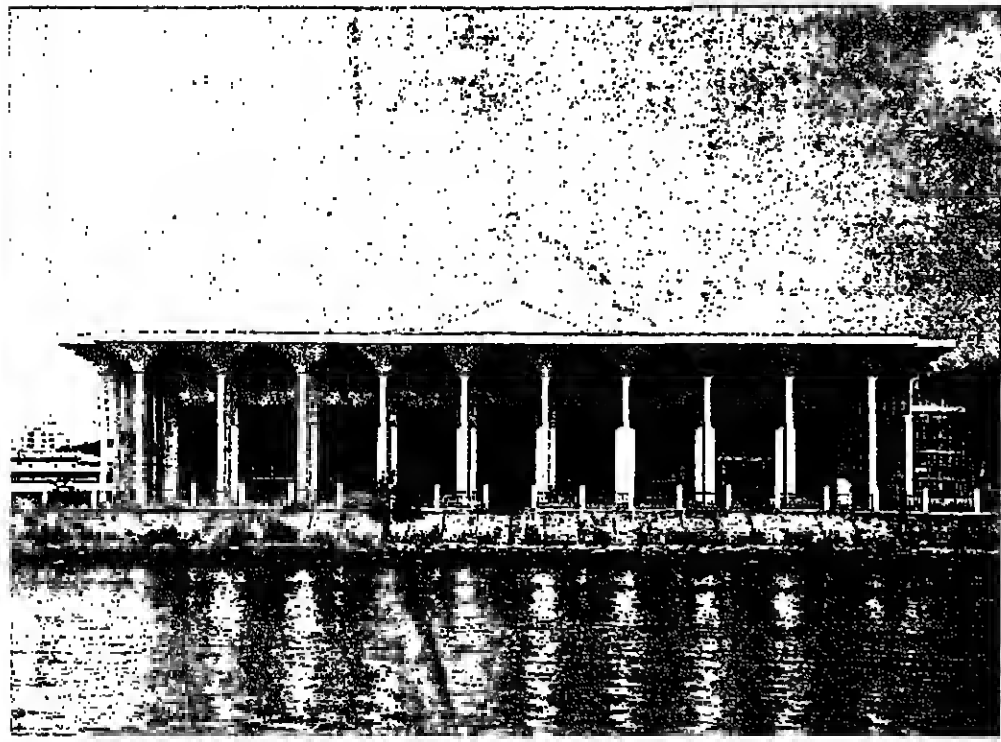
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FOREIGN INVESTMENT

The importance attached by the Brunei Government to foreign investment was reflected in a comment by His Majesty The Sultan and Yang Di-Pertuan recently in a press interview. His Majesty was asked about foreign investment and made the following statement: "We have always welcomed foreign investment. We are ready and willing to look at suggestions from would-be investors. We welcome participation by major multinational companies in the economic activity of our country. Such participation would have to be on the basis of sharing the benefits equally".

CURRENCY AND EXCHANGE REGULATIONS

The currency is the Brunei dollar (B\$). Brunei and Singapore currency is mutually acceptable in both countries. The currency is managed by the Brunei Currency Board. The currency interchangeability arrangement has provided a cheaper means of financial trade between Brunei and Singapore than if there had been bank transfers instead. The Brunei currency is backed by assets of more than 100 per cent of its liabilities.



The Law Courts of Brunei Darussalam

for the security and stability of the region as well as for the economic advancement of our peoples. Brunei is committed to play its part within the constraints and limitations of our ability as the smallest member to ensure that ASEAN remains a viable and effective association".

Brunei has a realistic approach to the Commonwealth and sees it as providing a valuable international forum in which small states can voice their views.

Brunei has diplomatic relations with 42 other states and this number is increasing each year.

Embassies or High Commissions are maintained in all ASEAN capitals as well as in London, Washington, New York, Riyadh, Cairo, Seoul, Tokyo, Geneva and, shortly, Canberra. A Permanent Mission to the United

Council, the Cabinet, the Legislative Council and the Council of Succession.

It is noteworthy that the system of government, which was carried out in the traditional Malay manner of advice tendered through a Chief Minister and senior officials, was replaced in 1984 by a move to a Cabinet style of government, with The Sultan and Yang Di-Pertuan as Prime Minister. The new style Cabinet system reflects His Majesty's commitment to a meritocratic and efficient administration.

Brunei's legal system is based on the English Common Law System, with an independent judiciary, a corpus of written common law judgements and statutes, and legislation enacted by His Majesty The Sultan and Yang Di-Pertuan.

As in Malaysia and Singapore, the

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Sept. 16

Sales in 100s High Low Close Net

Table of NASDAQ National Market data, including columns for Sales, High, Low, Close, and Net change for various stocks.

Table of OTC Consolidated trading data, including columns for Sales, High, Low, Close, and Net change for various OTC stocks.

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New International Bond Issues

Compiled by Laurence Desvignes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLLOATING RATE NOTES						
Northern Rock Building Society	£ 100	1995	1/4	100	—	Over 2-month Libor. Redeemable at par in 1993. Fees 0.52%. £75 million issued now and £25 reserved for a one-year top. (Local manager Baring Brothers)
Smart Five	¥1,000	1992	1/4	101 1/2	—	Over 6-month Libor. Noncallable. Fees 1.5%. (Sumitomo Finance Int'l)
FIXED-COUPON						
Crédit Agricole	\$150	1993	9%	101 1/2	—	Noncallable. Fees 1.5%. (Daiwa Europe)
Esportifins	\$100	1995	zero	55.55	—	Yield 11.44%. Noncallable. Fees 1.5%. Denominations \$1 million. (Norchin Int'l)
Finish Export Credit	\$200	1995	9%	101 1/2	—	Noncallable. Fees 1.5%. (Morgan Stanley Int'l)
Fuji Int'l Finance	\$100	1993	9%	101.40	99.45	Noncallable. Fees 1.5%. (Fuji Int'l Finance)
GMAC Canada	\$200	1993	9%	101 1/2	99.20	Noncallable. Fees 1.5%. (Morgan Stanley Int'l)
IBM Int'l Finance	\$150	1992	9	101 1/2	—	Noncallable. Fees 1.5%. (Credit Suisse First Boston)
Kao Oil Overseas	\$40	1998	10	102	—	Noncallable. Fees 2%. Denominations \$200,000. (Banks Trust Int'l)
Northern Telecom	\$100	1993	9%	101 1/2	99.53	Noncallable. Fees 1.5%. (Edelman Brothers Int'l)
Seagram	\$150	1993	9%	101 1/2	99.23	Noncallable. Fees 1.5%. (Wood Gundy)
Statoil	\$200	1995	9%	101 1/2	99.35	Noncallable. Fees 1.5%. (CSFB)
Tate & Lyle	\$100	1992	9%	101 1/2	99.70	Noncallable. Fees 1.5%. (Barclays de Zeele Wedel)
Belgium	DM 300	1993	5 1/2	101	98.90	Noncallable. Fees 2%. (Deutsche Bank)
Electricité de France	DM 300	1998	6%	101 1/2	98.90	Noncallable. Fees not disclosed. (Trinkaus & Burkhart)
Trinkaus & Burkhart Finance	DM 75	1993	6	101 1/2	—	Noncallable. Fees not disclosed. (Trinkaus & Burkhart)
Caisses Nationales des Télécommunications	ECU 100	1993	7%	100	98.25	Noncallable. Fees 1.5%. (Crédit Commercial de France)
Interfinance Crédit National	ECU 75	1991	7%	101 1/2	99.75	Noncallable. Fees 1.5%. (CSFB)
New Zealand	ECU 100	1995	7%	101 1/2	98.88	Noncallable. Fees 1.5%. (Banque Paribas Capital Markets)
Olivetti Int'l	ECU 75	1993	8	101 1/2	100.00	Noncallable. Fees 1.5%. (Mitsubishi Finance Int'l)
Household Financial	CS 75	1993	7 1/2	101 1/2	99.00	Noncallable. Fees 1.5%. (Union Bank of Switzerland Securities)
Barclays Australia Finance	Aus \$60	1991	13 1/2	101 1/2	99.85	Noncallable. Fees 1.5%. (Barclays de Zeele Wedel)
State Bank of New South Wales	Aus \$200	1993	7 1/2	101 1/2	—	Noncallable. Redemption amount linked to the yen/Australian dollar exchange rate of maturity. Fees 1.5%. Aus\$100 million issued now and Aus\$100 million reserved for top. (Industrial Bank of Japan Int'l)
Esam	¥12,000	1998	5 1/2	101 1/2	—	Noncallable. Fees 2%. Denominations 10 million yen. (Noro Int'l)
Smart Five	¥6,500	1992	5 7/16	101 1/2	—	Noncallable. Fees 1.5%. (Sumitomo Finance Int'l)
Smart Five	¥2,500	1992	3	101 1/2	—	Coupon will be 2% until 1993 and 3% thereafter. Noncallable. Fees 1.5%. (Sumitomo Finance Int'l)
EQUITY-LINKED						
Ichihai Industries	\$ 50	1992	open	100	97.75	Coupon indicated at 5 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Sept. 20. (Yamichi Int'l Europe)
Furuno Electric	\$ 50	1992	open	100	99.50	Coupon indicated at 5 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Sept. 21. (Yamichi Int'l Europe)
Marudai Food	\$100	1992	5 1/2	100	96.63	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 120 yen per share and of 13470 yen per dollar. Fees 2.5%. (Daiwa Europe)
Mitsubishi Electric	\$300	1992	open	100	95.50	Coupon indicated at 5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Sept. 21. (Daiwa Europe)
Sumitomo Forestry	\$100	1992	open	100	98.38	Coupon indicated at 5 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Sept. 19. (Daiwa Europe)

Japanese Banks Appear to Boycott Malaysia Loan

By Carl Gewirtz
International Herald Tribune

PARIS — Japanese commercial banks signaled last week their unwillingness to go on as they have provided much of the cash for internationally syndicated credits, unless they also share in the extra income and status that goes along with being named to arrange the loans.

The message was delivered with force when the so-called city banks of Japan refused the invitation to become lead managers for the \$300 million credit for Malaysia.

This is the country's first borrowing in two years and is being led by the government and the five banks mandated to arrange it

as a benchmark credit, establishing a record low cost for Malaysia.

The five banks named to arrange the loan are Bank Bumiputra Malaysia Bhd., J.P. Morgan & Co., Société Générale and two long-term credit banks of Japan, Industrial Bank of Japan Ltd. and Long-Term Credit Bank of Japan Ltd.

As is standard procedure, the mandated banks are now seeking to off-load their obligation by inviting other banks to join the operation. The initial aim was to offer 10 banks the status of lead manager for agreeing to underwrite \$20 million each.

Subsequently, a wider group would be invited to join as managers or participants, underwriting smaller amounts. By the end of the

week, the arrangers and lead managers are left holding on to their books much smaller amounts of the loan than their initial underwriting commitments.

Six of the 10 invited to be lead managers were Japan's major city banks — Dai-ichi Kangyo Bank Ltd., Fuji Bank Ltd., Mitsubishi Bank Ltd., Sanwa Bank Ltd., Tokai-Mitsubishi Bank Ltd. and Bank of Tokyo Ltd. All six turned down the invitation but left open the possibility that they would join on a smaller scale as participants.

Given the normally intense rivalry among the city banks as well as the longstanding relations each has

with Malaysia, their concerted response had bankers in Hong Kong, where the loan is being syndicated, talking about a boycott label.

Officials at the six banks rejected the boycott label. Yes, they declined, perhaps they will participate at a smaller level; the terms are very tight, they say. But they follow that up by noting how peculiar it is that banks which proposed even lower terms than Malaysia finally accepted were not mandated to arrange the transaction.

The terms Malaysia accepted are an interest charge of 1/4 point, or 1 1/2% basis points, over the London interbank offered rate for the first two years, rising to 1/2 point over Libor in the final eight years. Front-end fees are reported to amount to 40 basis points, bringing the all-in cost to Malaysia of about 27 basis points per year during the 10-year life of the loan.

But only the mandated banks earn that annual return. In addition to the prestige of being named arrangers, the mandated banks all ways take a slice out of the total fees for themselves. This "pre-emption" can range up to 12 1/2% basis points; in the Malaysian case, the arrangers are taking five basis points for themselves.

The talk in Hong Kong is that four of the six city banks had proposed lower rates, including offers of 1/4 point over Libor for the full 10 years as well as lower fees.

Bankers said that Malaysia rejected such aggressive terms because it wanted U.S. and European banks, which are notorious for cutting rates to levels other banks are unwilling to match, to participate in addition to the Japanese.

It appears clear that Malaysia, in selecting which bidders to name as arrangers, made a bad choice by excluding the lowest bidders.

But bankers said the selection was aimed at finessing the competitive rivalry among the Japanese. Rather than naming two Japanese city banks as arrangers and risk seeing the other four refuse to participate in a lower status as lead managers, the Malaysians had hoped to skirt the issue by naming the long-term credit banks as arrangers and have all six city banks as lead managers.

The city banks are now signaling that this is an unacceptable compromise, leaving the Hong Kong financial community speculating whether the city banks have decided to flex their financial muscle and join the major American banks in equating top status as arranger as a quid pro quo for providing cash.

Meanwhile, the city banks said they are holding their lending power in reserve for when Malaysian Airline System comes to the market for \$250 million to finance the purchase of two Boeing 747 aircraft.

Despite the boycott, the lead management group for the Malaysian loan has been nearly completed. It includes two Japanese — a smaller city bank (The Tokai Bank Ltd.) and a trust bank (Yasuda Trust & Banking Co.) — as well as

Agencem Bank Nederland, Banque Internationale de Luxembourg, the Korean Exchange Bank, Malaysian Banking Bhd., Security Pacific and Westdeutsche Landesbank.

In other business, the \$2.2 billion in credits that Robert Maxwell, the publishing entrepreneur, established in August but only signed last week to help finance his takeover for Macmillan, were increased 10 percent as the bidding war for the company has forced Mr. Maxwell to raise his offer price to \$86.80 per share.

The five-year credit arranged by Crédit Lyonnais London has been increased to \$1.32 billion, with annual interest set at 6 1/2% basis points over Libor and a commitment fee of 1 1/4% basis points on any undrawn amounts.

The companion one-year facility arranged by Samuel Montagu has been increased in \$1.1 billion. The charge on this loan is 7 1/2% basis points over Libor for drawing up to \$250 million, 10% basis points for drawing up to \$500 million and 12 1/2% basis points for more than that.

Ansett Transport of Australia is seeking \$200 million to help finance the purchase of six Airbus A320s. The company plans to issue 12 1/2% floating rate notes bearing interest of 1 1/2% basis points over Libor. Holders can request underwriters to redeem the notes on any interest payment date, or if the company defaults on payments.

Banks underwriting the sale will receive a commission of 15 basis points, an annual underwriting fee of 20 basis points during the first six years and 25 basis points thereafter, and management fees of 7 1/2% basis points on their underwriting commitment and 15 basis points on the amount they actually take.

Greenland is making its maiden voyage to the European market, seeking a five-year credit of 140 million Deutsche marks (\$76 million). Interest is set at 3/4 point over Libor, with underwriters offered a commitment fee of 12 1/2% basis points on the undrawn amounts and front-end fees ranging up to 20 basis points for banks underwriting 15 million DM.

The terms had bankers scratching their heads trying to discern the relationship between Greenland and Denmark. If viewed as a Danish risk, 3/4 point over Libor looks wildly generous. Although administratively part of Denmark, Greenland runs its own finances and does not carry the guarantee of Denmark.

The Danish government has provided Chase Manhattan, which is arranging the credit, with a letter acknowledging awareness of the loan. But as Chase officials point out, this does not constitute a guarantee.

CLAL Industries of Israel, a diversified conglomerate, has appointed Bankers Trust to arrange a \$15 million, five-year credit. Interest is set at 1 point over Libor, the commitment fee is 8 1/2% basis points and the front-end fees range up to 7 1/2% basis points.

EUROBONDS: Odd Reaction to U.S. Trade Data

(Continued from first finance page) weighted in dollars," said a Swiss banker, "but no one is running after paper with reckless abandon."

Most of the 11 Eurodollar straight bonds launched last week were priced tightly, in anticipation that further market advances would justify the terms. As a result, investors were selective about what they went after.

IBM International Finance fared best, with its \$150 million of four-year notes offered at 10 1/2% with a coupon of 9 percent. Less the underwriting fees, it was priced to yield 30 basis points over comparable dated U.S. government paper and ended the week trading at a spread of 23 basis points over the benchmark.

Crédit Agricole's \$150 million of five-year notes, offered at 10 1/2% with a coupon of 9 percent, was also a success at 58 basis points over the benchmark.

But Finnish Export Credit, not carrying a government guarantee; General Motors Acceptance Corp., a too-frequent borrower; and Fuji International Finance, Northern Telecom Ltd., Seagram Co. and Statoil of Norway were all priced at terms deemed too tight to be compelling.

Tate & Lyle PLC, whose debt is unrated, attracted retail investors with a 9 1/2 percent coupon on its four-year notes. Priced at 10 1/4% with underwriting fees of 1 1/2 percent, the paper yielded 90 basis points over Treasury rates and attracted coupon-hungry short-term investors.

The Deutsche mark sector buoyant a week ago, saw mixed demand for the paper offered by Belgium and Electricité de France. Neither the five-year Belgian notes nor the 10-year EDF bonds offered a pickup over yields available in the secondary market, so the only attraction of the new issues was for investors wanting to buy large amounts. And there were not many of them around last week.

Foreign investors appeared to be waiting for clarification on where the currency is headed, and domestic investors who are reported to be repatriating investments in foreign currencies are thought to be placing their cash in the equity market. Thus, bankers were excited about rumors that next week, one of the West German automakers will be coming to the market with a large equity-linked financing.

Among the dollar equity-linked

issues, only Mitsubishi Electric's large \$300 million of four-year bonds attracted considerable interest and ended the week trading at 106.

In the European currency unit market, Caisse Nationale des Télécommunications issued 100 million units of five-year notes bearing a coupon of 7 1/2 percent. The notes are fungible with a 150 million ECU issue launched in May, enhancing the prospect of a continuously liquid secondary market for the paper.

The new issue, including the underwriting fees, was priced to yield 7.85 percent, compared with the 7.52 percent yield on the previously issued notes, and ended the week trading at a discount of 1 1/4 points, considered quite respectable since the underwriting fees totaled 1 1/2 points.

The other ECU issues fared less well in a market still awash with unsold paper from previous weeks. Hardest hit was New Zealand, which offered 100 million units of seven-year bonds bearing a coupon of 7 1/2 percent and priced at 101 1/2. The notes were quoted at a discount of 2 1/2 points, compared with underwriting fees of 1 1/2 points.

Unisys to Replace Mainframe Series

NEW YORK — Unisys Corp., in a move to breathe life into its aging Sperry line, will unveil on Monday its most powerful family of mainframe computers yet.

Unisys, the nation's third-largest computer company, said new 2200/600 mainframes will replace the Sperry 1100 series, which includes the current top-of-the-line models from the Sperry side of the company.

Unisys was formed in 1986 through the merger of Sperry Corp.

and Burroughs Corp. and it continues to sell most of those companies' products lines.

Industry analysts said the announcement is important because Sperry users have waited years for more advanced models.

There had been some concern among Sperry customers that Unisys might not act aggressively to improve the Sperry line, choosing instead to focus on the Burroughs A-series mainframes, analysts said.

Because the new machines are designed primarily as an upgrade for existing Sperry users, they are not expected to steal sales from International Business Machines Corp., which controls an estimated 70 percent of the mainframe industry, analysts said.

However, Unisys risked losing customers to IBM and others if it failed to revitalize the 1100 line, which is used widely in the airline and banking industries, they said.

Unisys said prices of the new models will be between \$2 million and \$8 million.

Higher Macintosh Sales

Apple Computer Inc. expects its fastest growth in the coming year from its Macintosh computer line, Reuters reported from San Francisco.

The chairman and chief executive, John Sculley, said Apple also expects good growth in sales of its Apple II line, which represents over \$1 billion in revenues, or about 25 percent of the total.

The Apple II line is aimed at the education and home market. Macintosh is designed for corporate users.

There are about 4.5 million users of Apple II, twice as many as the Macintosh installed base, the company said. Also, Apple has captured about 60 percent of the elementary and high school markets.

Bonds Edge Lower Despite Trade Data

United Press International

NEW YORK — Prices of bellwether U.S. Treasury bonds and notes ended slightly lower last week as potentially encouraging data on the trade deficit failed to calm fears of rising inflationary pressures.

The price of the Treasury's bellwether 9 1/4 percent bond, which matures in 2018, closed the week at 101 6/32, down from 101 13/32 a week before. The yield of the 30-year bond rose to 9.01 percent from 8.99 percent.

Among intermediate government issues, the price of the latest 10-year notes declined slightly to 102 4/32 from 102 5/32 last Friday. The yield on the notes edged

up to 8.93 percent from 8.92 percent.

On Wednesday, the Commerce Department reported the U.S. trade deficit shrank to \$9.5 billion in July, the lowest monthly figure since late 1984. The improvement was due mostly by a sharp decline in imports.

Economists had predicted a deficit of about \$11.5 billion for July. The sharply lower figure compared with a June deficit of \$13.2 billion.

"The market reacted very positively to the news of the trade deficit figure," said Peter Nicolaescu, a

vice president of bond market research at Salomon Brothers Inc. "As it became clear that oil prices were rising, it fell back on inflationary fears."

Oil prices shot up at midweek by almost \$1.50 a barrel on a combination of news from the Organization of Petroleum Exporting Countries to support the commodity and fears that there would be hurricane damage to oil installations in the Gulf of Mexico.

Also adding to inflationary fears was the Federal Reserve Board report on Wednesday that showed a 0.02 percentage point rise in industrial production.

"This Wednesday's session — when a better-than-expected trade report sent bond prices up for an hour and more than expected industrial production data cut the gain in half — is a good guide to next week's likely reactions," Standard & Poor's Corp. said in its weekly credit market comments.

"Recent economic news hasn't allayed the market's fears of an economy growing out of control and inflation rising," Standard & Poor's said.

The federal funds rate — the rate charged on overnight loans between banks — ranged between 8.05 percent and 8.30 percent, ending about 12 basis points higher on the week at 8.25 percent, according to Salomon Brothers Inc.

Short-term rates overall were unchanged or down slightly.

In the mortgage sector, medium-term Government National Mortgage Association securities gained about a quarter point in price on the week.

"It was a solid week for corporate issuance, which surged to a level of just under \$2 billion," Mr. Nicolaescu said. "It seems to be the case that the new lower yields in the market have gradually pulled out more corporate issuance."

He added that corporate issuance "included several long bonds which have been uncommon thus far in 1988."

Elizabeth Reimers, a vice president and money-market analyst with Dean Witter Reynolds Inc., said most market participants are "looking at the economic data and trying to discern whether or not the weaker figures are a sign of a weakening of the economy."

Cost of U.S. Thrift Bailouts Estimated to Be \$50 Billion

Compiled by Our Staff From Dispatches

WASHINGTON — Government auditors have raised their estimate of the cost of saving the U.S. savings and loan industry to \$50 billion, and for the first time said they see no alternative to what would be the largest taxpayer bailout in U.S. history.

The new figure from the General Accounting Office was \$10 billion higher than any previous official estimate and could prove embarrassing to the Federal Home Loan Bank Board chairman, M. Danny Wolf, who is preparing to raise his own \$31 billion estimate of the cost of the industry's ailments.

Mr. Wolf on Friday disputed the auditing office report. He said the accounting office, the investigative arm of Congress, "may have erred on the side of being too high."

He said it was premature to say how far his latest estimates would differ from the government ones.

"The bank board's shifting tone board is doing nothing to enhance confidence" that the savings and loan crisis is under control, com-

plained the House Banking Committee chairman, Representative Fernand J. St Germain, Democrat of Rhode Island.

Bank board estimates of how much it costs to rescue sick savings associations have consistently proven to be low, said Frederick D. Wolf, director of accounting and financial management for the General Accounting Office.

"There is not any reasonable scenario that says there's enough money in the thrift industry" to cover that cost, said Mr. Wolf. It was Mr. Wolf who first warned Congress two years ago that the bank board's Federal Savings & Loan Insurance Corp. was insolvent.

When the insurance corporation takes over a failing savings and loan, it may simply pay off the depositors and turn the association's loans and other assets over to a receiver.

More often, it puts up cash, notes or loan guarantees to cover previous losses and then sells the association.

(WP, NYT)

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(WP, NYT)

U.S. Consumer Rates

Sept. 16

3-Month Treasury Note	7.87%
6-Month Treasury Note	8.00%
1-Year Treasury Note	8.13%
3-Month Eurodollar	8.25%
6-Month Eurodollar	8.38%
1-Year Eurodollar	8.51%
Commercial Paper	8.64%
Auto Loan	12.50%
Home Mortgage, FHLB average	14.83%

Source: New York Times

U.S. Inventories Rise 0.3%

WASHINGTON — U.S. business inventories rose \$2.21 billion, or 0.3 percent, in July to a seasonally adjusted \$733.69 billion, the government said.

The increase in July came after a revised rise of 0.8 percent, or \$5.65 billion, in inventories during June to \$731.48 billion, the Commerce Department said Friday. Previously, the department said inventories rose 0.7 percent in June.

Economists sometimes take rising inventories as a sign of economic weakness. Too many goods in reserve could lead to production cuts and layoffs at manufacturing plants. However, analysts have not been worried over the past year because inventory gains have simply been keeping up with strong sales.

Durable goods inventories rose in July to \$446.26 billion from \$444.28 billion in June, while inventories of nondurable goods rose to \$287.44 billion from \$287.20 billion.

Manufacturers' inventories increased to \$343.52 billion in July from \$341.96 billion in June. Retailers' inventories fell to \$214.34 billion from \$214.52 billion.

MONSANTO: Searle Prospects Dented by IUD Suit

(Continued from first finance page) of Searle's losses to heavy spending on research and development. The drug unit spent nearly \$200 million, or 24 percent of sales, on that effort. The industry average is 15 percent.

There are other promising signs. Helped by Calan SR, a drug that had been sold for the treatment of angina and was reformulated as a high-blood-pressure drug, Searle's sales rose 23 percent in 1987, to \$820 million. Its losses narrowed in the first half of 1988, to \$50 million.

Moreover, analysts said Searle has several promising drugs under regulatory review. One is Kerionce,

a hypertension drug, which could be approved later this year, and another is Cytotec, the ulcer compound.

Analysts estimated that the potential market for anti-ulcer compounds among people who also take anti-inflammatory drugs will be more than \$1 billion, and they say Cytotec could capture as much as 20 percent of it. The Food and Drug Administration has given Cytotec top priority for review, and approval may come within a year.

But the recent court decision has taken the air out of Monsanto's stock. Although its shares rose \$1.75 on the New York Stock Exchange on Thursday and \$1.375

Friday, closing the week at \$71.875, that was still almost \$8 below its price before the jury decision.

It is still unclear, however, what long-term impact the Copper-7 cases will have on Searle and Monsanto.

Searle's mounting legal problems have prompted comparisons between Monsanto and the A.H. Robins Co., the maker of the Dalkon Shield intrauterine device. Robins sought bankruptcy protection from creditors because of product-related suits.

Few analysts believe Monsanto is headed toward the bankruptcy courts.

Cocoa Price Talks Falter

LONDON — The International Cocoa Agreement has fallen deep into crisis after talks between producers and consumers were adjourned without agreement on key problems, according to International Cocoa Organization delegates.

After two weeks of talks, the organization of 17 producer and 20 consuming nations could not agree on a price, consumer spokesman Peter Baron of West Germany said Saturday. Consumers favor a lower price than the sellers.

"Consumers regret that decisions which should have been taken were not," Mr. Baron said. "Prospectives for the pact are very dim and it is doubtful if the pact will be concluded at the end of the meeting."

Attempts to salvage the pact is to resume at a cocoa organization council session from Jan. 19 to 27 in London.

Overproduction and a saturated market have driven the price of cocoa to early 1976 lows. In addition, the organization's buffer stock is filled to capacity, at 250,000 tonnes. The price dispute has been aggravated by massive arrears in producers' payments to the buffer stock fund. Total arrears are expected to reach \$70 million by Oct. 1.

Separately, market experts in London were hopeful that talks beginning this week between producers and consumers of coffee will be able to set export quotas and keep prices from crashing next year.

Germany finance minister, whose government has said it can live with the commission's proposals, agreed there were still big problems. "The difference in national tax systems, both in their rates and in the ratio of revenue from indirect and direct taxation, is huge," he said.

Mr. Delors acknowledged that the panel's proposals would have to be "refined" and made more flexible in the face of reluctance expressed by the majority of EC members. Consultations would be held among members and the commission, lasting at least until the end of the year.

The French Finance and economy minister, Pierre Bérégovoy, said, "None of the problems was resolved, and the 12 are still far from unanimous" on harmonizing VAT and excise taxes.

France, which last week came out strongly against the tax plan, saying it would lose 14 billion French francs (\$2.2 billion) in revenue under the scheme, appeared to have retreated from this position.

(Reuters, AFP)

VAT: Differences Remain in EC

(Continued from first finance page) pared to budget on the central issue of eliminating border controls.

A basic debate on the internal market at such a high level would reveal deep rifts between the majority of member states, which still broadly subscribed to the European ideal, and those which treated it as a grocer's shop, only looking for the best deal, one diplomat said.

Nigel Lawson, the British Chancellor of the Exchequer, restated his opposition to tax alignment in principle. He maintains that the approximation of value-added tax rates and excise duties is not a necessary element for creating the internal market.

His has submitted alternative proposals that foresee market forces narrowing the gaps in rates, with ordinary shoppers going abroad if excessively high rates at home make it worthwhile. He rejected the market forces approach on excise duties, which are very high in Britain on alcohol and tobacco, on health grounds.

Gerhard Stoltenberg, the West

German finance minister, whose government has said it can live with the commission's proposals, agreed there were still big problems. "The difference in national tax systems, both in their rates and in the ratio of revenue from indirect and direct taxation, is huge," he said.

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(Reuters, AFP)

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Many stocks gained in Amsterdam last week as sentiment remained reasonably good.

The ANP-CBS general index rose to 269.7 on Friday from 266.8 the previous week. Total volume was 7,153 billion guilders, up from about 7,023 billion the previous week.

Shares registered their main rise on Wednesday, when better-than-expected U.S. trade figures for July helped the market. A drop in U.S. interest rates was picked up in Amsterdam, where bond prices continued to rise.

Frankfurt

Stock prices rose in Frankfurt, and the leading market index hit new highs for the year on three consecutive days.

The Commerzbank index closed at 1,542.6 Friday, up from 1,491 the previous week. The index has gained 27 percent since the start of the year. Volume on the eight West German exchanges totaled 19.35 billion Deutsche marks, up from only 12.3 billion DM the previous week.

Hong Kong

Beaish sentiment dominated the stock market last week, as share prices fell on abysmal volume, despite news of a lower-than-expected U.S. trade deficit for July.

The Hang Seng index shed 37.74 points during the week to close at

2,458.82. The broader-based Hong Kong index dropped 27.82 points to 1,622.68.

Volume averaged 349 million Hong Kong dollars (\$44.7 million), down from 522 million Hong Kong dollars the previous week.

London

Shares rose in London for most of last week, but gains were sharply reduced at the end of the week as the market digested news of several economic indicators viewed as inflationary.

The Financial Times industrial share index rose 24 points to 1,422.5 during the week. The 100-share index finished at 1,766.7, up 28.2 points.

The publication Monday of provisional figures for August retail sales, which were well below expectations, prompted a strong rise in share prices. But the volume Monday was the among the poorest since the deregulation of the financial markets in London.

Milan

Shares posted small gains last week.

The Comit index ended at 519.05, up from 517.45 the previous Friday.

Volume was markedly higher. An average of 35 million shares with a value of 125 billion lire were traded each day, compared with a daily average of 20 million shares valued at 70 billion lire the previous week.

Paris

Stocks shook off their lethargy last week to end higher.

The CAC index gained 3.6 percent to close at 364.50 on Friday, up from 351.7 the previous Friday.

The Friday close was only 1 percent below the level reached just before the world market collapse last autumn.

Volume jumped strongly on such shares as LVMH, Valeo, Suez, Navigation Mixte and Perrier.

Singapore

The market registered a minimal advance in very thin trading last week.

The Straits Times industrial index ended the week at 1,064.93, up 1.40 from the previous week's finish of 1,063.53.

Volume for the week fell 26 percent to about 90.2 million shares. Value of the shares dropped 31.2 percent to 140.4 million Singapore dollars, down from about 204.1 million dollars.

Tokyo

Shares posted moderate gains during the week, encouraged by the U.S. trade figures and a stable dollar.

The Nikkei stock average gained 219.28 points to close at 27,866.38 on Friday. It rose 158.85 the previous week.

The composite index of stocks

MONDAY SPORTS

Red Sox Down Yankees, 9-4

The Associated Press
BOSTON — The Boston Red Sox, powered by Ellis Burks and Dwight Evans, defeated the New York Yankees for the third consecutive day on Sunday, with a 9-4 victory, to take control of the American League East race.

The Red Sox, who lost the series opener behind Roger Clemens, surged back and pushed New York 6½ games behind. Boston began the day with a five-game lead over Detroit and six over Milwaukee.

Burks hit a three-run homer in the first inning and Marty Barrett's two-run double chased Ron Guidry in the second. Evans met reliever Neil Allen with a two-run homer that made it 7-1.

SUNDAY BASEBALL

Boston completed an 8-2 homestand and won for the 11th time in 14 games. The Yankees had won seven of eight before losing three in a row.

Blue Jays 4, Indians 0: In Toronto, Dave Stieb pitched a four-hitter and the Blue Jays defeated Cleveland to keep alive their faint hopes in the AL East.

The Blue Jays began the day 8½ games behind Boston. The Red Sox start a three-game series in Toronto on Monday night.

Mets 3, Expos 3: In the National League, in New York, Dwight Gooden won his 18th game and

Darryl Strawberry hit his league-leading 34th home run as the Mets topped Montreal.

The Mets have won five straight, and 10 of their last 11. New York finished the season series 12-6 against Montreal, winning the final eight games. The Expos have lost 10 of their last 14.

Dodgers 2, Reds 0: In Cincinnati, John Tudor and Alejandro Pena combined on a five-hitter and Jeff Hamilton broke a scoreless tie with a seventh-inning double as the Los Angeles shut out the Reds. Los Angeles won for the seventh time in eight games as it nears its first National League West title since 1985.

Tudor gave up five hits and struck out six in six innings, lowering his earned-run average to 2.20, second-best in the NL to New York's David Cone. Pena threw three perfect innings for his 11th save, completing the Dodgers' fourth shutout in 11 games and 21st this season.

Reuschel Racks Up 19th As Giants Defeat Astros

Compiled by Our Staff From Dispatches
HOUSTON — Rick Reuschel won his 19th game and Will Clark drove in his 100th run of the season Saturday to lead San Francisco to its fifth straight victory, a 4-2 decision over the Houston Astros.

Reuschel (19-8) scattered 11 hits, walked none and struck out two in his fifth complete game of the year.

a single and Eric Show won for the seventh time in eight decisions.

Pirates 7, Phillies 2: In Philadelphia, Bobby Bonilla drove in four runs with a three-run homer and a sacrifice fly to pace Pittsburgh.

Braves 6, Padres 5: In Atlanta, pinch hitter Ozzie Virgil singled in the winning run in the 10th, pushing the Braves to victory over San Diego. Paul Assenmacher gave up four hits in 2½ innings for the victory after blowing a lead in the ninth when Dickie Thon homered to tie the score 5-5. It was Thon's first home run since May 18, 1987.

SATURDAY BASEBALL

The 39-year-old right-hander won a career-high 20 games with the Chicago Cubs in 1977, going 20-10.

The Giants took a 2-0 lead in the fourth inning, which Robby Thompson started with a single off Jim Deshaies. Clark doubled for his 100th RBI of the season and Candy Maldonado followed with an RBI single.

Mets 6, Expos 2: In New York, Kevin McReynolds hit a three-run home run to help the Mets to their fourth straight triumph.

Cubs 6, Cardinals 4: In Chicago, Darrin Jackson homered twice and Ryne Sandberg broke a sixth-inning tie with a sacrifice fly to lift the Cubs past St. Louis.

Dodgers 4, Reds 3: In Cincinnati, Kirk Gibson singled in Alfredo Griffin from second base with one out in the ninth to lift Los Angeles.

Padres 9, Braves 4: Braves 6, Padres 3: In Atlanta, Tom Glavine allowed six hits over 8½ innings to help the Braves to a doubleheader split. In the opener, Tony Gwynn drove in two runs with a triple and

Philles 6, Pirates 5: In Philadelphia, Phil Bradley hit a 10th-inning sacrifice fly to lead the Phillies past Pittsburgh, dropping the fading Pirates 12 games behind the Mets.

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Rookies in NBA Subject To Stiff Drug Penalties

United Press International
PALM BEACH GARDENS, Fla. — The National Basketball Association announced late Friday a drug-testing policy that will suspend without pay for one year any rookie who tests positive for heroin or cocaine.

Urnalysis tests will be given on a random basis to all rookies in training camps, said Commissioner David Stern. "In recent years it has become clear that players entering the NBA from college present a particular problem that should be specifically addressed," Stern said. "We think this sends the appropriate message to college players: Drug use may cost you your NBA career."



Ron Oester and Jeff Reed started the postgame mob scene.

Browning: Perfection Itself

Compiled by Our Staff From Dispatches
CINCINNATI — As the eyes of the world turned to Seoul Friday night, Tom Browning achieved what all Olympic athletes seek: perfection.

"There's only one way to describe it," said Manager Pete Rose after Browning led the Cincinnati Reds to a 1-0 victory over the Los Angeles Dodgers: "He pitched perfect."

The 28-year-old left-hander (16-5) struck out seven and threw 102 pitches in the 14th perfect game in major-league history. Cincinnati needed an extraordinary effort to overcome Tim Lincecum's three-hitter.

Browning pitched the first nine-inning perfect game in the major leagues since California's Mike Witt did it on the final day of the 1984 season against Texas. The last in the National League was by the Dodgers' Sandy Koufax on Sept. 9, 1965, against Chicago.

Browning struck out pinch hitter Tracy Woodson for the last of his 27 consecutive outs in a game that started 2 hours and 27 minutes late because of rain.

Mobbed by his teammates, he said: "I was teary-eyed when they landed on me in that dugout. It was one of those nights when everything worked, and every ball was hit right at people." He did not go to three balls against any batter and allowed only eight balls out of the infield.

Browning's perfect game comes toward the end of a season in which six no-hitters had been broken up in the ninth inning. He himself pitched 8½ innings of no-hit ball against San Diego on June 6.

Browning lost his bid when Barry Larkin doubled to right. When Chris Sabo singled deep to third base, Jeff Hamilton threw wild to first, allowing Larkin to score. (UPI, AP)

Vikings Rout Bears, 31-7

Compiled by Our Staff From Dispatches
CHICAGO — Tommy Kramer passed for three touchdowns, two to Anthony Carter, and the Minnesota Vikings took advantage of five Chicago Bears turnovers Sunday for a smashing 31-7 National Football League victory.

Kramer, who completed 15 of 28 passes for 258 yards, threw touchdown passes of 40 and 16 yards to Carter and also hit Hassan Jones with a 19-yard touchdown strike. Kramer left in the fourth quarter as a heavy rainstorm hit, but by then the outcome was beyond doubt.

The Bears, who had not lost the ball on a fumble in two previous victories, had two fumbles and three passes intercepted.

Quarterback Jim McMahon of the Bears passed for a touchdown but fumbled once and was intercepted once before leaving the game in the closing seconds of the first half with a bruised left knee.

Bengals 17, Steelers 12: In Pittsburgh, Boomer Eason, held in check for the first three quarters by the NFL's worst-rated defense, led Eddie Brown on a 65-yard fourth-quarter touchdown pass to push Cincinnati past the Steelers.

James Brooks ran 19 times for 88 yards and Eason threw for two touchdowns as the Bengals were aided by six Pittsburgh turnovers, including four fumbles. The Bengals are 3-0 for the first time since 1975, when they finished 11-3.

Jets 45, Oilers 3: In East Rutherford, New Jersey, Wesley Walker caught three touchdowns as New York's offense came alive in a stunning rout of Houston, the Jets' largest margin of victory ever.

The penalty-marred game, in which both teams were guilty of personal fouls, turned in the Jets' favor early. The fierce hitting began on the opening kickoff and didn't let up. The Jets showed an offensive spark missing in their first two games, with Ken O'Brien throwing three touchdown passes.

Redskins 17, Eagles 16: In Washington, Timmy Smith ran for 107 yards and a touchdown and the Redskins sacked Philadelphia quarterback Randall Cunningham six times en route to victory.

The Redskins scored touchdowns on each of their first two possessions, but ultimately needed an inspired performance by their injury-plagued defense to hold off the Eagles.

Saints 22, Lions 14: In Pontiac, Michigan, Detroit's misfire on a fake punt set up New Orleans' go-

NFL ROUNDUP

ahead touchdown in the third quarter.

On fourth-and-18 at the Detroit 12-yard line, Lions punter Jim Arnold appeared to have Carl Painter

open for a pass, but Painter didn't turn around in time and the throw was incomplete. Two plays later Dalton Hilliard dashed around left end from four yards out to put the Saints ahead, 19-14, with 50 seconds remaining in the third quarter. (AP, UPI)

Miami's Late Field Goal Edges Michigan, 31-30

Compiled by Our Staff From Dispatches
ANN ARBOR, Michigan — Carlos Huerta kicked a 30-yard field goal with 43 seconds left to play Saturday to clinax a furious comeback that lifted top-ranked Miami to its 34th consecutive regular-season victory, a 31-30 decision over Michigan.

Siege Walsh passed for two of his three touchdowns — 7 yards to

draws' game-winning 19-yard field goal with 32 seconds left. Clemson tied the score at 21 with 2:32 to play when fullback Tom Johnson dragged several defenders with him on a 19-yard scoring run.

Louisiana State 34, Tennessee 9: In Knoxville, Tennessee, Tommy Hodson passed for 246 yards and three touchdowns as LSU won for the first time over in Knoxville. At 0-3, Tennessee is off to its worst start in 26 years.

Notre Dame 20, Michigan St. 3: In East Lansing, Michigan, Reggie Ho kicked two field goals, quarterback Tony Rice ran for a touchdown and linebacker Mike Stump broke returned an interception 39 yards for a score to pace Notre Dame. The Spartans, falling to 0-2 for the first time since 1982, were held to John Langeloh's 39-yard field goal.

Penn State 23, Boston College 20: In University Park, Pennsylvania, Ray Taras kicked his third field goal of the game, a 37-yarder with 48 seconds remaining to nip B.C. Penn State also got a 43-yard TD run by Gary Brown and a 1-yard scoring drive from Sam Cash.

South Carolina 17, East Carolina 0: In Columbia, South Carolina, Todd Ellis threw two touchdown passes to freshman Robert Brooks, who set a school record 97-yard scoring play. East Carolina limited the winners to five offensive plays in the third quarter and had a 336-284 edge in offensive yardage.

Georgia 42, Mississippi State 35: In Starkville, Mississippi, Tim Worley scored four touchdowns, the last on a 27-yard run with 17 seconds left, to beat Mississippi State. Worley gained 162 yards on 21 carries.

Illinois 19, Wisconsin 17: In Madison, Wisconsin, John Ivanc had four field goals, including a 31-yarder with 1:24 left, to give Northern Illinois its first victory ever against a Big Ten team. (UPI, AP)

COLLEGE FOOTBALL

Rob Chudzinski and 48 yards to fullback Cleveland Gary — in the final five and a half minutes to help the defending national champion overcome a 30-14 deficit and improve to 2-0. Gary also caught a 49-yard TD pass and added a 1-yard scoring run.

Michigan fell to 0-2 for the first time in Bo Schenckel's 20 years as coach.

Miami still trailed, 30-22, after Walsh's 7-yard pass to Chudzinski completed an 80-yard drive with 5:23 to play, and Gary turned a short pass into a 48-yard touchdown with 2:58 left. Walsh had added two extra points after the first touchdown with a pass to Dale Dawkins, but David Arnold intercepted his 2-point try after Gary's touchdown.

Miami executed an outside kickoff, and Bobby Harden recovered for the Hurricanes at Michigan's 47. Walsh passed 14 yards to Andre Brown and Gary gained 17 yards on a draw. After three short running plays, Huerta kicked the winning field goal.

Oklahoma 28, Arizona 10: In Norman, Oklahoma, Jamelle Hollaway ran five yards for a touchdown and passed 43 yards to Eric Brose to help the Sooners to a 2-0 season mark.

Florida State 24, Clemson 21: In Clemson, South Carolina, safety LeRoy Butler ran 78 yards on a fake punt set up New Orleans' go-

ACROSS

- 1 Like the American eagle
- 5 Artist
- 10 Eastern church
- 14 "I cannot tell"
- 15 Turned rigid with fear
- 16 Topsoil
- 17 Preprandial reading
- 19 ——— Domin
- 20 Raiment
- 21 Larch
- 23 Entry
- 25 Close a deal
- 26 Smokers' gadgets
- 30 Acted violently
- 33 Incensed
- 34 Long-limbed
- 36 Cassowary's kin
- 37 Londoner's tax
- 38 Kind of knife
- 39 Street sign
- 40 Part of I.L.O.
- 41 A suburb of Boston
- 42 Beal, old style
- 43 More pithy
- 45 Intervals of rest
- 47 Sharil and others
- 48 Prophet
- 50 Contine
- 53 Clergyman or college bigwig
- 57 Organic compound
- 58 Not à la carte
- 60 Composer Harold
- 61 Give instruction to
- 62 Nobelist Wiesel
- 63 Secondhand
- 64 Hair-raising
- 65 Orip, for one

WEATHER

EUROPE		ASIA		NORTH AMERICA	
High	Low	High	Low	High	Low
Aberdeen	57	49	41	Anchorage	31
Amsterdam	58	50	42	Atlanta	63
Berlin	59	51	43	Boston	64
Bombay	84	76	68	Chicago	65
Calcutta	85	77	69	Dallas	66
Canton	86	78	70	Denver	67
Cebu	87	79	71	Detroit	68
Colombo	88	80	72	Houston	69
Delhi	89	81	73	Los Angeles	70
Dhaka	90	82	74	Memphis	71
Frankfurt	60	52	44	Minneapolis	72
Hankow	61	53	45	New York	73
Hong Kong	62	54	46	San Francisco	74
Kobe	63	55	47	Seattle	75
London	64	56	48	Tampa	76
Manila	65	57	49	Washington	77
Medan	66	58	50	Phoenix	78
Osaka	67	59	51	Portland	79
Shanghai	68	60	52	San Diego	80
Singapore	69	61	53	St. Louis	81
Tokyo	70	62	54	San Jose	82
Yokohama	71	63	55	Portland	83

DENNIS THE MENACE

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NICEW
 CUMSI
 YATIRR
 DROINO

Print answer here: _____

Friday's Jumble: SCARF PUPIL JUNKET SUBDUED
 Answer: What teacher did when the antelope took his final exam—PASSED THE BUCK

PEANUTS

- 9 Crop up again
- 10 Call to arms, lo
- 11 Water's friendly words
- 12 Judge's bench
- 13 Frenzied
- 16 Declam
- 22 Out of town
- 24 Flynn of flicks
- 26 Permissible
- 27 A Forsyte compound
- 28 Gourmet
- 29 Carpenter, at times
- 31 Mug
- 32 Hoodwink
- 35 Southern French city
- 38 Hair clasp
- 39 Tarnished
- 41 Kind of belt
- 42 Career
- 44 Beamed
- 46 Tranquil
- 48 Noose
- 50 Andean nation
- 51 A son of Seth
- 52 Skier's transport
- 54 Lacquered metalware
- 55 Auricular
- 56 Strong odor
- 59 XXVI doubled

BLONDIE

BEETLE BAILEY

DOONESBURY

ANDY CAPP

WIZARD of ID

REX MORGAN

Solutions to Friday's Puzzle

GASPING	ARABIAN
LITERAL	GORTILLA
EMANATE	HUMBLES
ALTA	ABASE
NEIL	AMUSE
SS	FLIRT
STARING	MARTYR
LODGE	MENT
STIGMA	SURNAME
HAREM	OSTIA
EVER	BRETT
REL	REISE
PRALINE	RACINES
ANNABEL	EMINENT
SADISTS	DIVERTS

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REX MORGAN

BLONDIE

SPORTS / THE SUMMER OLYMPICS

OLYMPIC RESULTS

MEDALS table showing counts for Soviet Union, China, Unified Team, etc.

SOCCER table showing results for South Korea vs Argentina, Brazil vs Mexico, etc.

BASKETBALL table showing results for Yugoslavia vs South Korea, etc.

WEIGHTLIFTING table showing results for Sevdalin Marinov, etc.

BOXING table showing results for Firdausi, etc.

SWIMMING table showing results for Firdausi, etc.

GYMNASTICS table showing results for Kim Zmeskal, etc.

DIVING table showing results for Xu Yanyan, etc.

WRESTLING table showing results for Bratan Tzvetan, etc.

MODERN PENTATHLON table showing results for Bratan Tzvetan, etc.

VOLEYBALL table showing results for Soviet Union vs Bulgaria, etc.

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SCOREBOARD

BASEBALL

Baseball scores for Friday and Saturday, including Yankees vs Red Sox, etc.

Major League Standings

Major League Standings for American League and National League.

GOLF

Golf scores for various tournaments.

FOOTBALL

College Scores

College football scores for various teams.

TRANSITION

Transition scores for various sports.

SOCCER

Soccer scores for various leagues.

TRANSITION

Transition scores for various sports.

SOCCER

Soccer scores for various leagues.

TRANSITION

Transition scores for various sports.

TRANSITION

Transition scores for various sports.

SOCCER

Soccer scores for various leagues.

TRANSITION

Transition scores for various sports.

Brother types the Olympic pulse. Advertisement for Brother typewriters featuring an image of a typewriter and Olympic rings.

SPORTS / 1988 SUMMER OLYMPICS

A Bright Beginning for the Games

Ceremony Takes the Theme Of 'Beyond All Barriers'



Sohn Kee Chung, 76, winner of the marathon gold medal 52 years ago in Berlin, carried the Olympic flame into the stadium.

A Mix of Old and New, With the Cry, 'Ki Yup'

By George Vecsey
New York Times Service

SEOUL—On the first day of these Summer Games, the old was never very far from the new: a state-of-the-art stadium and men and maidens performing an ancient purification ritual on the lush grass during the opening ceremony.

As the crowd of foreigners and yuppies of this boom country surged around Olympic Stadium, one would occasionally see elderly women and men in soft-colored gowns and loose-fitting outfits that looked almost like pajamas. How much the elders had seen in their lifetime, leading to this day of sky divers and trilling message boards. They had seen the Japanese restrict many things Korean, including the ancient art of taekwondo. They had seen the Americans and the Soviet Union lay a partition across the peninsula. They had seen Chinese and Americans rage back and forth across Seoul. And now they wore their traditional outfits to a stadium where Russians and Chinese and Americans marched in a parade. How strange.

But the past still lives in Seoul. It was fitting that the first event (along with diving) of these 24th Summer Games was taekwondo, an Olympic demonstration sport for the first time but also a tradition from the mists of history, 2,000 years back, to the kingdom of Silla.

With a loud "ki yup," a battle cry, the Summer Games really began. Fighters in white martial arts uniforms began punching and kicking at each other on a square mat, emitting shouts and wails and grunts.

In the circular Changchung Gymnasium in the hills above the Han River, athletes from all continents competed in taekwondo, the most Korean of all sports. And before the night was over, three of the first four medals had gone to fighters from the host country.

To be seated in the Changchung Gymnasium was to know you were in Asia, in a highly civilized nation where sports arenas feature a huge bowl of noodle soup for 50 cents. Taekwondo is a sport of form and discipline—fighters bowing to each other, to the referees, to opposing coaches, just as police officers here bow as they inspect your luggage and department stores hire young women to stand in the doorway and bow to customers.

But taekwondo is not just ritual. It is, also, a good swift kick to everywhere but the groin, and punches to everywhere between the belt and the neck. Taekwondo was the ritual displayed by a few thousand very healthy Koreans during the opening ceremony, the one in which they broke boards with their hands or their feet.

The Koreans developed the ritual from their religious celebrations and they expanded it into a martial art. The Japanese forbade the sport because of its potential value in a resistance. Since 1945, taekwondo has moved outward, one of the first visible exports from what was once called the Hermit Kingdom. There are said to be 15,000 registered practitioners in the United States. Along with Chinese kung fu and Japanese karate, taekwondo offers a violent but controlled alternative to the brain bashing known as professional boxing.

Taekwondo fighters wear helmets and padded chest, shin and forearm protectors. Fighters sometimes suffer broken bones and cuts and even knockouts, but there is no lengthy blood lust of the crowd as in boxing.

On the first day of the Summer Games, Koreans cheered their home-grown fighters and watched in probable bemusement as Lee Sang-chul, who won 13 national titles as a Korean, returned to his native country as the American coach. The United States tied Spain for second behind South Korea at the 1987 world championships in Barcelona, Spain.

Although the sport is growing throughout the world, as competition and as a discipline, it may have trouble joining the official Olympic family. It will be a demonstration sport again in 1992 in Barcelona, but is not close to consideration for medal status at a time when Olympic officials are talking of cutting back. All the athletes have been accommodated here because South Korea was able to allocate a huge chunk of its budget to these Games, but Barcelona and future cities may not be able to handle an expanded schedule.

"God knows the Games are big enough as they are," said Richard Pound of Canada, a vice president of the International Olympic Committee. "It may be time to say enough is enough."

Taekwondo certainly looked like an Olympic sport, with Korean school children and American tourists and Spanish teammates all cheering for their favorites. Juan Antonio Samaranch himself handed out the first demonstration gold medal, to Choo Nan-yool of South Korea in the women's flyweight division. Then Ha Tae-kyung of South Korea won the men's flyweight division. Arlene Limas of Chicago won the women's welterweight and Chung Kook-Hyun of South Korea won the male welterweight.

There must be something in the water back home. Some journalists panned their word processors at the slightest problem. Some American athletes carry NBC banners in the opening parade and mug for the television cameras like spoiled 3-year-olds. And in a sport that emphasizes discipline, Limas bounced around during the medal ceremony as if she were trying out for the Sylvester Stallone role in the all-female version of Rocky. Oh, well, it is a demonstration sport.

Compiled by Our Staff From Dispatches
SEOUL—For the first time in a long time, the sun shone on the Summer Olympics.

On a glorious morning in this city of 10 million, the opening ceremonies of the XXIVth Olympiad began Saturday with a three-hour celebration of all that is right in the often troubled world of international sport.

After 16 years of political interference the Games came together in glorious splendor with a festive ceremony celebrating the theme "Beyond All Barriers."

These XXIVth Olympics, unlike the three Games that preceded them, are a testament to the breaking of barriers, the governmental restraints that severed the athletic world after 1972.

As the ceremony unfolded beneath a sparkling sun in a cloudless sky and before nearly 100,000 spectators in Olympic Stadium, the boycotts by black African nations in 1976, Western nations in 1980 and Soviet-bloc countries in 1984 seemed like distant memories.

The ceremony of more than three hours included many of the record numbers of athletes, 9,677, from a record number of countries, 160, and those figures included teams from all the major political powers and nearly all the major athletic powers.

Among the seven missing nations, only Cuba figured to alter the final medal standings.

But there was a reminder that this ceremony was not played out in a utopian vacuum; Pervasive security precautions included military personnel with machine guns on the stadium roof and a search of each person entering.

The spectators listened through tiny radio receivers on which an explanation of the events was available in Korean, English, French, German, Spanish, Arabic, Russian and Japanese.

The athletes' parade into the stadium behind signs bearing the names of their countries was only part of the show. Before and after were boat parades, drum dances, native musical numbers, speeches and the lighting of the Olympic torch.

It all began with the release of blue and white balloons, hundreds of them, as boats in the nearby Han River completed a ceremonial parade, and several thousand young Koreans dressed in yellow in a dragon-drum procession entered the stadium. They were followed by another group in blue and red, celebrating the harmony of heaven, Earth and man.

Then, fireworks as the yellow-clad people ran off and the ones in red and blue, with their flags and banners, marched quietly, leaving a hundred balletic nymphs dancing under millions of bits of reflective paper falling into the stadium.

They were joined by 1,500 more young women and men, all in white, dancing in various forms of a circle in the center of the field. Their dance ended for a moment as they spelled "WELCOME" and President Roh Tae Woo and his wife were introduced.

Then, they moved into position of the five Olympic rings and the Seoul Games logo as a prelude to the parade of the athletes.

The team from Greece led the march in smart navy blazers and white pants for the men, skirts for the women.

From that point, the order reflected the alphabet of the native language. That's why Ghana, in native garb, followed Greece, the United States—*Meo-Guk*, in Korean—marched between Mongolia and Vanuatu in the 44th position, and Hong Kong was the last country before the home team, South Korea.

As each team entered the stadium, information about the country and the size of the Olympic team was flashed on the scoreboard. In one section of the stands colored cards depicting each country's flag were flashed.

The U.S. team—the women in light blue and white, the men in navy and white—was led by Eve-

lyn Ashford, the 100-meter gold medalist in Los Angeles four years ago. She was an unexpected choice, in a vote of team captains on Friday. The favorites had been the diver Greg Louganis and two track and field athletes, Edwin Moses and Mac Wilkins.

The Americans, with 612 athletes the largest delegation, seemed to be enjoying themselves. They waved and cheered and smiled and mugged for cameras.

By comparison, the Soviet team, in red and white, was sedate, waving to the crowd with little red handkerchiefs.

It wasn't until the Canadians, the 130th team, entered that the rhythm of the parade increased again. They were all smiles and waves, many flipping Frisbees into the stands.

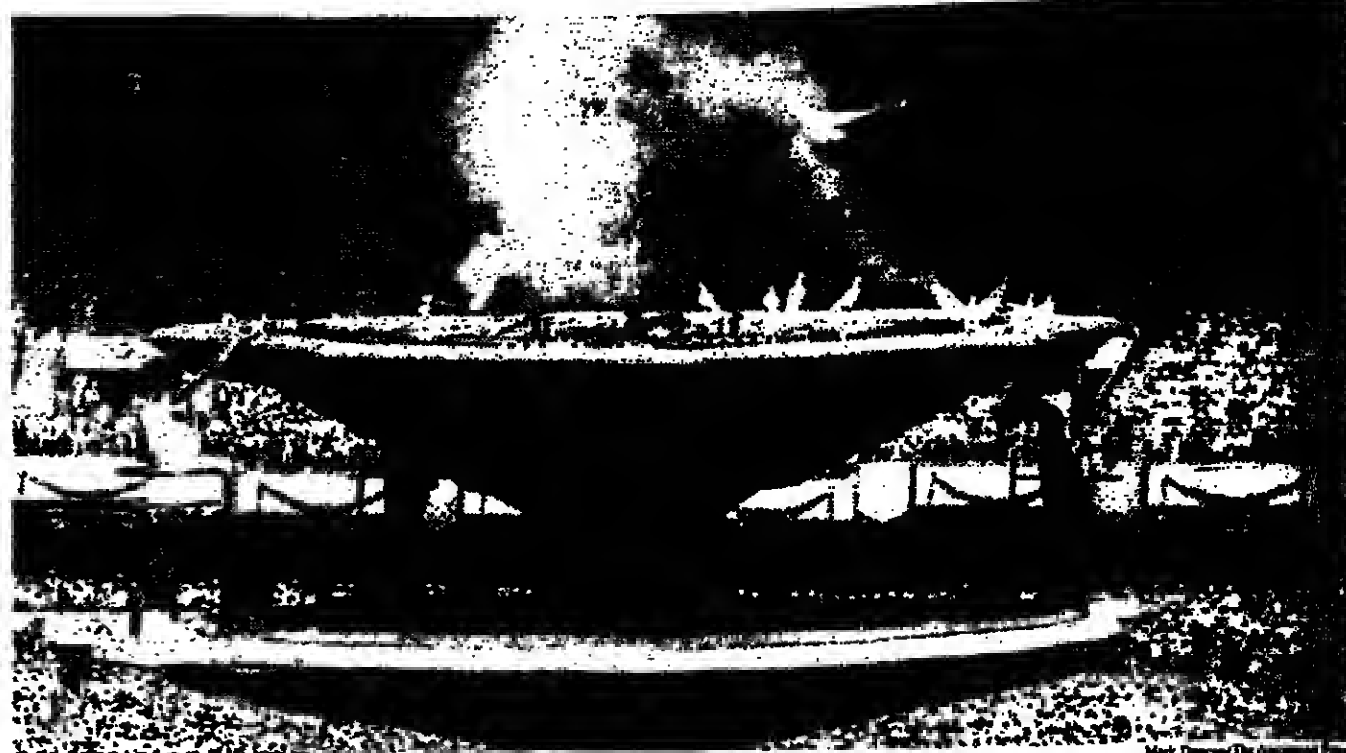
At the end of the march, the host team entered to a loud but respectful ovation and rhythmic clapping. In return, the athletes and officials in light blue and white waved fans bearing the country's insignia.

Sixteen years ago in Munich there was the massacre of 11 Israeli athletes and officials by Palestinian terrorists.

Twelve years ago in Montreal there was the black African boycott over New Zealand's national rugby team having played in South Africa.

Eight years ago in Moscow the United States led a boycott to protest the Soviet invasion of Afghanistan; four years ago in Los Angeles the U.S.S.R. and most of its allies retaliated with a boycott of their own.

And now in Seoul, with 160 countries gathered—more countries than have participated to any previous Olympics—there are



Many of the doves, supposed to fly up and out of the stadium during the opening ceremonies, instead got good seats around the arena.

It Is an Uneasy Calm at These Olympics

By Tony Kornheiser
Washington Post Service

SEOUL—Unfortunately, recent Olympic history is discouraging. Twenty years ago in Mexico City there was the gloved-fist black power salutes on the victory stand and radical demonstrations that left more than 100 students dead in the streets.

Twelve years ago in Montreal there was the black African boycott over New Zealand's national rugby team having played in South Africa.

Eight years ago in Moscow the United States led a boycott to protest the Soviet invasion of Afghanistan; four years ago in Los Angeles the U.S.S.R. and most of its allies retaliated with a boycott of their own.

And now in Seoul, with 160 countries gathered—more countries than have participated to any previous Olympics—there are

100,000 security guards positioned to discourage or, if necessary, repel any threat to the safety of the athletes, the press, the fans and the general citizenry.

In marked and gratifying contrast to the dark side of such stringent security precautions, the opening ceremonies were safe, festive and an absolute delight to see. The precision parades, forming the five interlocking Olympic rings as they descended over the Han River and spilling into the Olympic Stadium, were spellbinding. And there could not be a more optimistic symbol for the future than the Korean children playing innocently at the end of the ceremony.

Indeed, there's great hope here because of the record attendees. The city is spotless and smiling brightly. The boycotts have dissipated to manageable size. All the athletic juggernauts are eager to compete, finally, against their peers here in what is called the Land of the Morning Calm.

But it is an uneasy calm. Despite the showstopper beginning, the undercurrent in these Olympics has been the threat of terrorism. Virtually every public announcement from the South Koreans in the past year concerning Olympic preparations has carried the promise of a secure Games, and the world holds its breath in dread of a murderous act.

At the venues there are metal detectors and personal searches. Cameras and lenses are inspected. Flower beds are swept for bombs. Frogmen patrol the river. Dogs sniff for explosives. Remarkably, the guns have been unobtrusive (less evident, for example, than at some European airports), but that's a tribute to the South Koreans' style and doesn't indicate a relaxation of their guard.

A slim 30 miles (48 kilometers) from the here, North and South Koreans stare across the demilitarized zone with live ammunition in the chambers of their rifles. A state

of truce is not a state of peace. In South Korea there's no such thing as relaxing the guard.

The athletic bureaucracy is forever braying that sports should be separate from politics, but the reality of the late 20th century is that sports has become the perfect stage for politics.

The U.S. table-tennis players' going to China and opening the door for Richard Nixon's ping-pong diplomacy—that was politics. The Johns Hopkins University baseball team's going to the Soviet Union is politics. The gloved fists in Mexico City were politics, the massacre at Munich was politics, the boycotts at Montreal, Moscow and Los Angeles were politics. The kind of win-at-all-costs nationalism that inspires designer masking drugs to help athletes win medals and pays athletes under the table to protect their amateur status is politics. North Korea's demands to co-host these Games is politics. South Korea's desire to keep them for themselves is politics. And however remote, the terrifying possibility that athletes could be shot, or venes blown up, that too is politics.

South Korea saw the Olympics for what it is, a way to announce to the world its emergence as an economic and industrial powerhouse. Hosting the Olympics is about publicity and promotion, and the whole world is watching. But with that promotion and publicity for the host comes a similar opportunity for those who oppose the host, or oppose the guests, or oppose anything at all. A camera's red light is a blank slate. If you're making good television, you're on. The monkey's paw of hosting the Olympics is that it awakens protest and makes itself vulnerable to it. If the Olympics go off as smoothly as the opening ceremony, fine. If not, the Games in Barcelona may have to be held inside barbed wire.

We started these Olympics with glorious ceremony. But it's a long race we're running, and it's only just begun.

The other day I was buying sneakers in a shop at the athletes' village, and someone standing near me commented favorably on the shoes I'd selected. "Very nice," he said. I could tell from his identity card he was a competitor from Iran. He could tell from mine that I was a journalist from the United States. His name was Ayatollah Vagzari, and he was a wrestler. I introduced myself and we chatted amicably if briefly because of the language barrier. I wondered how he might feel if he were to wrestle an Iraqi. "War finished," he said, smiling broadly.

Does that mean you're friends with Iran now?

"Yes. Good friends with us now. And are you good friends with us now, too?"

He hesitated, so I rephrased the question: Do you like the American people?

"People I like," he said, and in his expression it suddenly became as clear as glass that if it somehow could be left up to the athletes alone there would be no war, no boycotts, no threat of terrorism. Then he shrugged. "Countries. I don't know."



The Associated Press

Banks, the Would-Be Champion, Goes Out With 1 Blow

New York Times Service

SEOUL—He wore star spangled trunks during workouts, had a business card and distributed autograph pictures of himself, even to those who did not ask for one. Keldie Banks was the first amateur boxing star in the post-1984 Olympic era, a world champion, two-time national champion and winner of the Pan American Games.

He made some adversaries along the way—losing a few fights as well—but Banks envisioned the Olympics as his redemption and stepping stone to a lucrative profes-

sional career. He would be the next Ray Leonard or Mark Breland. He was going to win five titles as a pro.

But Sunday night, just 1 minute, 50 seconds into his first Olympic bout, Banks was knocked out by Regilio Turr of the Netherlands.

Banks, who called himself "Mr. Mix, someone who never made the same mistake, has been exuberant in cooloverly all year, beginning when he lost to Carl Daniels in the semifinals of the national championship. At the U.S. Olympic Trials in July, he was decisively by Ed Hopson, but earned the right to face

Hopson in the boxoff. Banks then won two disputed decisions, gaining the Olympic berth.

Even then, however, there was talk at the United States training camp that he was not the fighter he was two years ago. By his own estimation, Banks had fought more than 500 times since he first stepped into a ring as a 10 year old. As the most experienced American amateur, he was considered a shoo-in by his teammates, who thought he was too flamboyant as well. He dismissed them as being envious.

It had been a quiet first round, the

shorter Turr, a 21-year-old student, looking to get inside, Banks content to throw an occasional jab. But he became sloppy, pawing with the jab, dropping his guard, when Turr hit him flush with a right hand to the jaw. Banks fell on his back and was unconscious for almost three minutes. He was taken to a local hospital for precautionary X-rays and was unavailable for interviews.

Joseph Perlman, the United States team physician, said that Banks appeared to be O.K. when he left the ring. "His vital signs are strong," he said.

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U.S. Nearly Upsets Argentina In Its Opening Soccer Match

Washington Post Service

TAEGU, South Korea—A scrappy U.S. soccer team came within 11 minutes Sunday of pulling off an upset of the winner of the 1986 World Cup, but had to settle for a moral triumph by tying the favored Argentines 1-1.

In their first game of the Olympic tournament, the U.S. side consistently outshot Argentina, breaking a scoreless deadlock with 11 minutes left on a stinging left-footed shot from about 20 yards (18 meters) out by fullback Michael Windischmann. The 22-year-old Windischmann, who had never scored a goal in an international game, was mobbed by his teammates as the American fans in the stadium erupted in cheers, waved their flags and hugged each other, sensing victory.

Their enthusiasm was shared by the several hundred Koreans who formed the official U.S. cheering section politely put together by local Olympic officials. Wanting each team playing in the round-robin competition to feel at home in this

provincial city, the organizers formed special cheering squads for the visiting teams.

But the United States had only a few minutes to savor the lead. The Argentinians, who had played a relatively lackluster game devoid of the slick ballhandling and darting moves typical of Latin American soccer, woke up after the U.S. score. With nine minutes to go, Argentina's Carlos Alfaro-Moreno took a pass from the right corner to the center of the field just inside of the penalty area and suddenly hit the ground after a brush of contact with defender John Harkes. A tripping penalty was called on Harkes, and Alfaro-Moreno converted the penalty shot.

The tie gives each of the two teams a single point in their round-robin play. There are four teams in each of the round-robin groups. Aside from Argentina, the teams in the U.S. group are South Korea and the Soviet Union—both considered as medal contenders. Only two teams from each group advance into the next round.

Olympic Games Seoul

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Gold...

SPORTS / 1988 SUMMER OLYMPICS

1988年夏季奥运会

China's Xu Wins Gold In Diving

By Michael Janofsky
New York Times Service

SEOUL — Xu Yanmei continued the Chinese domination of 10-meter platform diving Sunday, taking the gold medal and finishing ahead of Michele Mitchell and Wendy Lian Williams of the United States.

The 17-year-old Xu scored 445.20 points in the final round of eight dives, 8.25 points ahead of Mitchell, 26, who had 436.95. Williams, 21, competing in the Olympics for the first time, scored 400.44 points for the bronze medal.

Angela Stassioulevitch of the Soviet Union, with 386.22 points, was fourth. For Mitchell it was the second consecutive time she had won an Olympic silver medal finishing behind a Chinese diver. In the 1984 Los Angeles Games, she was beaten by Zhou Jihong.

Mitchell, who was second to the other Chinese diver, the 14-year-old Chen Xiaodan, in the preliminary round Saturday night, led the field of 12 divers Sunday through four rounds, before slipping to second behind Xu after five dives.

Mitchell scored consistently well the rest of the way and bolstered her position by earning 76.80 points on her most difficult dive, a back one-and-a-half somersault with three and a half twists, in the seventh round. To that point, no one had scored more on a dive.

Going into the final round, Xu led, with Mitchell second, but Williams was fifth, behind Chen and Stassioulevitch.

But Stassioulevitch missed her final effort, a forward three-and-a-half somersault tuck, scoring just 47.51, and Chen, the last diver, nearly belly-flopped on a back three-and-a-half somersault tuck — the most difficult dive of any performed in the competition — scoring just 22.77.

In between them Williams won 67.20 points on a forward two-and-a-half somersault pike and emerged from the water beaming, which seemed like a scowl compared to the smile on her face at the medal ceremony.

Chen finished fifth. Before the round, Mitchell acknowledged the talents of the Chinese divers, saying, "Silver, gold, I would be happy with any medal."

"The Chinese here now are doing a lot harder dives than they did in 1984. The consolation for me is that they leave a door open if they miss one of their harder dives. I just hope to finish my career on a high note."

Indeed, she did.



Xu Yanmei of China, holding a tight tuck on her dive, won the 10-meter platform gold medal Sunday.

Games Are All Too Brief for Korean Diver

SEOUL — The Olympic life of Kim Eun Hee lasted all of several hours Saturday, and when it ended, she took it hard.

Kim, 15, was the only South Korean among 20 women in the 10-meter platform diving preliminary round, so it wasn't hard to imagine the pressure she felt representing the host country on the first day of Olympic competition. Every time she hit the water and emerged she was cheered lustily, even though it was quickly apparent that her dives would not earn scores high enough to get into the medal round.

She managed only seven dives. On her eighth and final attempt, a double somersault off a handstand, Kim could not get into the handstand position. She touched down twice with her feet, which constituted a failed dive and a score of zero.

She had to leave the platform the way she came, by the steps, and she burst into tears. The opening ceremonies had ended barely seven hours before in the stadium next door.

"I could empathize with her," said Michele Mitchell of the United States, the eventual winner of the silver medal. "Any time you do a handstand dive, anything can happen," said Mitchell, who gave Kim a consoling hug upon her descent from the platform. "It's happened to me."

Slow Start for U.S. Swimmers

Washington Post Service
SEOUL — Matt Biondi and Janet Evans did well Sunday, but not quite as well as some might have hoped in the preliminaries of the Olympic swimming competition.

Biondi had the second-best qualifying time behind Artur Wojdat of Poland in the 200-meter freestyle, probably Biondi's worst event here. Evans, favored to win the 400 individual medley, qualified third behind Noemi Lung of Romania and Kathleen Nord of East Germany.

Dara Torres in the 100 freestyle, Rich Schroeder in the 100 breaststroke and Troy Dalbey in the 200 freestyle also qualified for the finals Monday, but the fates of three other U.S. swimmers were worse.

Mitzi Kremer finished 13th in the 100 freestyle; Daniel Watters finished 15th in the 100 breaststroke, and Erika Hansen was 11th in the 400 individual medley.

Eight qualify for the finals. Torres, who has the best time in the world this year in the 100 freestyle, finished seventh in her preliminary, Biondi in 1:48.39 and Gross in 1:48.55. Dalbey was fifth in 1:48.96.

The day began with disappointment for the United States in the women's 100 freestyle. Torres, who had a poor performance at the U.S. trials and would not have been swimming in the 100 freestyle were it not for the disqualification of Abgel Myers, finished fourth in her heat in 56.37 seconds.

But that race was filled with some very good swimmers; the top qualifiers, Catharine Plewinski of France, in 55.53; Kristin Otto of East Germany, 55.80; and Silvia Poll of Costa Rica, 56.16, who won five individual medals at the Pan American Games last summer.

Kremer, who finished second to Myers at the U.S. trials but moved up when Myers was disqualified for a positive drug test, swam 56.97, well above the 55.40 she swam at the trials, which was the third-fastest time in the world this year.

Yugoslavs Defeat Soviets, 92-79; Bulgarian Breaks 2 Lift Records

Compiled by Our Staff From Dispatches
SEOUL — Yugoslavia, in a test between two European powers, defeated the Soviet Union, 92-79, Sunday in a preliminary-round game in men's basketball.

The Soviets and Yugoslavs are co-favorites to meet the United States in the gold medal game. Yugoslavia relied on its depth to survive a foul-filled start in which the Soviet star Aleksandre Volkov fouled out before halftime.

Elsewhere on the second day of competition at the Seoul Games, Sevdalin Marinov of Bulgaria set two records and took the gold medal in the lightest weight lifting category.

In the men's basketball match, Drazen Petrovic scored 25 points as Yugoslavia won a battle of attrition. Zarko Paspalj scored 20 points for the Yugoslavs and Zeljimir Obradovic added 14.

Sharunas Marchukionis and Titi Sokk led the Soviets with 20 points each. But Volkov's departure with only two points offset the long-anticipated return of the 7-foot-3 (2.20-meter) Arvidas Sabonis, who didn't start but played much of the game and scored 11 points.

Sabonis, considered one of international basketball's top players, had missed much of the past two years with an injury. Yugoslavia fouled early — six team fouls in less than two minutes — but drew the Soviet into a rough game. When Sabonis entered for the first time with 10:09 left in the half, the teams had combined for more fouls, 17, than points, 16.

The Soviets lacked the depth for such a game and it showed late in the first half. That's when Yugoslavia got rolling, thanks in part to foul trouble by Volkov and Marchukionis. Both were on the bench, Volkov with four fouls, Marchukionis with three.

Volkov returned, but the gamble was a mistake. He was called for his fifth foul on a rebound with 2:32 left.

In another first-round basketball game, the Central African Republic defeated South Korea, 73-70. In the weight lifting, Marinov set a world record in the snatch and won the 52-kilogram (114.5-pound) division in weight lifting.

Marinov lifted 120 kilograms in the snatch, breaking the world mark of 119.5 kilograms, set in June by He Zhuogang of China.

Marinov's total winning weight was 270 kilos, including his clean and jerk, which was also a record. His overall effort was 2.5 kilos more than the previous record, set by He in the Asian championships in June.

Chun Byung Kwan of South Korea was a surprise silver medalist, lifting a combined weight of 260 kilograms. He got the bronze, which was decided on lighter body weight than his countryman Zhang Shouli when both finished with totals of 257.5 kilograms.

There were five medal events on Sunday with five countries taking gold medals. Besides Marinov and Xu Yanmei of China in platform diving, the medals were awarded in air rifle and free pistol competitions and cycling time trials.

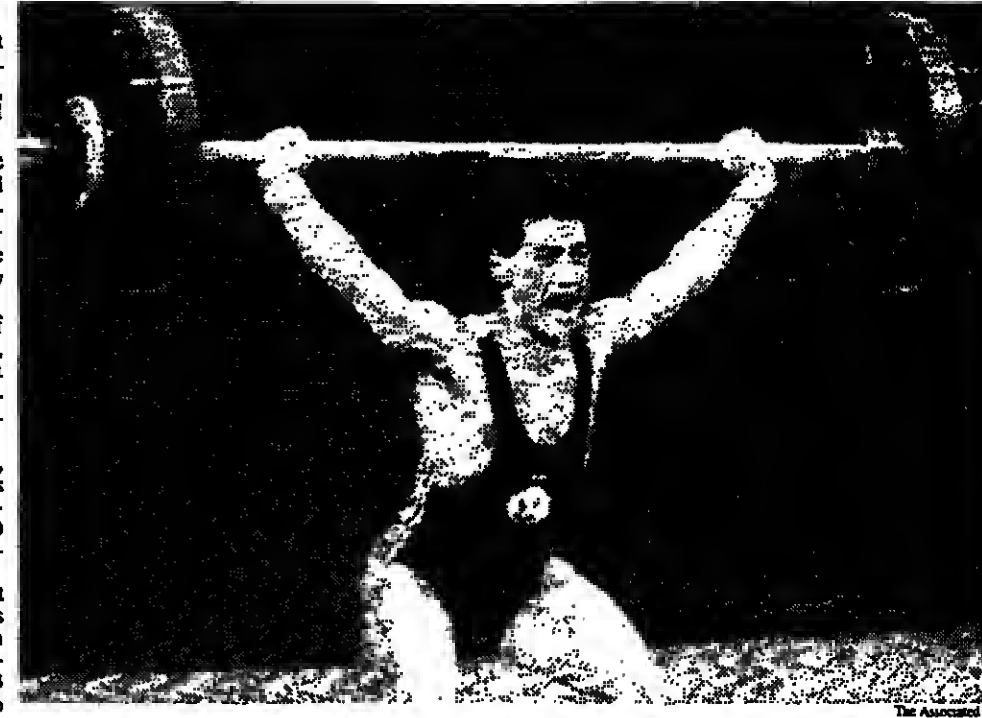
In the women's air rifle competition, Irina Chlova of the Soviet Union won the gold. Her teammate, Anna Maloikina, won the bronze, and Silvia Sperber of West Germany won the silver.

Sorin Babu of Romania won the men's free pistol event. Ranger Shanaker of Sweden won the silver, and Igor Bassinski of the Soviet Union the bronze.

In men's 100-kilometer team time-trial cycling, East Germany won the gold medal, followed by Poland and Sweden.

The U.S. men's gymnastics team suffered through a woeful performance. In the team compulsory competition, the Americans ranked 12th in a field of 12 contending for the team title, which will make it virtually impossible to defend the team title won four years ago in Los Angeles, when the Soviet Union and other powers were absent.

The Americans finished the round with 285,900 points. As expected the Soviet team led, with 295,700, followed by East Germany, with 293,550; Japan, with 292,650; and China, 291,400.



Sevdalin Marinov of Bulgaria lifting his world record of 270 kilograms to win the gold medal.

Test Former

month-old has resigned after 1000 hours of testing. The test was conducted by the three most respected scientists in the world. The test was conducted in the presence of a commission of experts. The test was conducted in a state-of-the-art facility. The test was conducted in a state-of-the-art facility.

Talks on U.S.

talks on U.S. relations with the Soviet Union. The talks were held in a state-of-the-art facility. The talks were held in a state-of-the-art facility.

Soviet Base

the Soviet Union. The Soviet Union is a major power in the world. The Soviet Union is a major power in the world.

UPDATE

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in the world

in the world. The world is a global village. The world is a global village.

OLYMPIC NOTEBOOK

The Seoul Olympic Games will generate millions of dollars for the International Olympic Committee, mostly from television revenues, and much of it will be distributed to national Olympic committees for development programs. But the seven nations that did not participate here will get some of it.

"They will not receive a single dollar from the IOC" in the coming quadrimester, Juan Antonio Samaranch, the organization's president, said Sunday. He said nations had to "learn the lessons of Moscow and Los Angeles" referring to the boycotts that kept many nations out of those Games.

North Korea, Cuba, Albania, Ethiopia, Nicaragua and the Seychelles never replied to the IOC invitation to the Games. Madagascar, an island nation off the African coast, did accept the invitation, but then announced last week it would boycott in support of North Korea.

Through most of the American athletes here are staying in the Olympic Village, Edwin Moses, the 1976 and 1984 Olympic champion in the men's 400-meter hurdles, is staying at a downtown hotel.

"Being in the village is like being in Disneyland and I'm playing the part of Mickey Mouse," he said, "because everyone wants to talk to me. In the opening ceremonies, I must have taken 1,500 to 2,000 pictures with athletes. If it was up to me, I would stay in the village, but I wouldn't have any time to myself."

If it were up to Ben Johnson, he would have marched in the Opening Ceremonies with Canada's team, according to his coach, Charlie Francis. After a storm of criticism in the press back home over Johnson's absence, Francis tried to get him off the hook by saying, "I pulled all the sprinters out because where we were in our training schedules, I didn't want them spending four hours on their feet."

U.S. Defeats Spain; Brazil Tops Canada

By Peter Alfano
New York Times Service
SEOUL — Perhaps it lacks star quality, a player who has a sneaker named for him or an NBA team counting the days until he arrives at training camp, but, collectively, the 1988 U.S. Olympic basketball team looked every bit as good as it is always expected to be.

With coach John Thompson on the sidelines in his familiar pose, slugging instructions, a white towel slung over his left shoulder, the Americans routed Spain, 97-53, on Saturday in their first game of the tournament.

There was no contest from the start, as U.S. speed and defense made the Spaniards often look as if they were standing still. Thompson used all 12 players on his roster, substituting liberally, keeping the pressure on.

After weeks of enduring Thompson's sometimes gruff manner and arduous practices, the players were looking forward to the start of the competition. There had been talk among several players of quitting, which Thompson considered normal.

"Sometimes, the players came to me for advice," said Charles Smith, the Georgetown guard who played for Thompson. "I told them that, sometimes, Coach Thompson doesn't know what he wants. He's himself and he's not changing for anything."

Unlike the other teams in the Olympic tournament, the Americans did not have the benefit of playing exhibition games against international competition. Instead, there were 10 games against pickup teams of National Basketball Association players.

That was not expected to be a problem for the United States, though. Most of the coaches in the tournament felt that the Americans would win unless they were victims of an especially inspired performance.

"Coach feels we're the best in the world at what we do," J.R. Reid said. "So I don't understand the concept of pressure. We're just trying for the gold."

The Americans tried to make a good first impression, running from the start against Spain. David Robinson, who is considered a key to gold medal aspirations, was effective inside against the Spaniards, a scamp team that looks for the three-point basket. Robinson's 16 points led his team.

U.S. Defeats Spain; Brazil Tops Canada

Spain was expected to give the United States one of its more competitive games in the preliminary rounds, but the players looked overmatched and weary as the second half unfolded.

Thompson would not let his players relax, barking orders such as, "Move Charlie, move," shouting at Smith even when the lead was 73-42 with 9 minutes, 11 seconds to play. And Smith was playing an excellent game as the point guard.

One of the concerns had been about the perceived lack of an outside shooter on the U.S. team. Little Charles Smith and Hersey Hawkins dispelled some of the doubts, however, hitting jumpers when the fast-break option was not there.

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Depth also was a factor in the second half as Thompson always had well-rested players in the game. Danny Manning began to contribute on offense, scoring five consecutive points during one stretch.

In other preliminary round basketball games on Saturday, Brazil, led by Oscar Schmidt, defeated Canada, 125-109; China downed Egypt, 98-84; and Australia upset the favored Puerto Rican team, 81-77.

The 6-foot-8 Schmidt, 30, who gained fame last summer when he scored 46 points in Brazil's victory over the United States in the final of the Pan American games, was in typical form, scoring 36 points. The first time he had the ball, he made a three-point shot.

Defense is a minor detail in the Brazilian scheme of things. The faster the opposing team shoots, the sooner Schmidt and teammates regain possession. The offense revolves around him and Marcel Souza, a 31-year-old guard, who had 30 points.



Danny Manning of the United States reaching over Fernando Arcega to score during the first-round 93-57 defeat of Spain.

7 Golds or None, Biondi Doesn't Anticipate Any Spitz-Style Celebrity

By Christine Brennan
Washington Post Service

SEOUL — The Italians tried to make a nickname stick on Matt Biondi. They called him El Torpedo. It didn't last, and he didn't care.

Biondi is the best U.S. swimmer, but he isn't too concerned about that title either. While some predict commercial greatness for him, Biondi reads his half-ton Chevy pickup for an autumn trip cross-country.

He could win seven medals at the Olympics, but let's remember that he is a swimmer, after all, and of the thousands and thousands of swimmers in the world, only two have become household names — Mark Spitz and Johnny Weissmuller — and one because he played Tarzan.

"I want to play lots of basketball. I want to fix up the back of my truck so I can sleep in it." "Up to this point, I have traveled everywhere in the world and seen nothing." "But first, Biondi is likely to make one of the biggest splashes of any recent Olympics. He is expected to win gold medals in the 100-meter freestyle, the 400-meter freestyle relay and the 400-meter medley relay, for which he will swim the anchor leg.

He should win medals in the 50 freestyle, 200 freestyle, 100 butterfly and 800 freestyle relay, but none of those necessarily will be gold.

Hello, Mark Spitz. Well, not so fast. Spitz, the winner of seven gold swimming medals at the 1972 Olympics in Munich, once told Biondi they swam alike and "he had some tips for me," Biondi recalled.

Had Biondi requested the tips? "No. They were generously volunteered," he said.

Someone asked whether Biondi was holding something back about Spitz. "Direct quotes, that's what I'm holding back."

It's safe to say Biondi and Spitz won't be having lunch soon.

For the entire year leading up to the Olympics, when someone has mentioned seven golds, he has talked of one.

On the subject of seven gold medals, he said, "Anything's possible. Every one of those events requires a magical performance to win."

"It just does not happen every day. It can happen once in a lifetime, not once a day for eight days."

This is not to say Biondi hasn't dreamed of this moment, because he certainly has.

"I've thought about every possible outcome. I win all seven, I win the first three and lose the rest, I'm disqualified, there's a plane accident on the way over. I've thought of it all."

Of all the thrills of his life, he mentions his two opportunities to swim with dolphins in the waters off the Bahamas and Florida Keys as one of his favorites.

Biondi says he has put the rest of his life "on hold" until the Olympics end, but he is serious about traveling and perhaps applying some of the things he learned as an American economics history major at UCLA-Berkeley, Class of '83.

He has hired Advantage International to represent him, and although he sounds like he paints his life in earth tones, he certainly wouldn't mind a little green thrown in.

"I feel I deserve what I get," he said. "If financial rewards are at the end of the maze, I have earned it."

The man looming largest in Biondi's path is Michael Gross of West Germany, who know how to feel the water. The dolphins heightened my awareness."

One thing Biondi didn't do with the dolphins was race them. "They go 30 knots. That's faster than I can go in my truck."

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